SMALL BUSINESS AND THE FEDERAL PROCUREMENT SYSTEM

HEARINGS

BEFORE THE

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OF THE

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HOUSE OF REPRESENTATIVES

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SMALL BUSINESS AND THE FEDERAL PROCUREMENT SYSTEM

THURSDAY, JUNE 18, 1981

House of Representatives,
Subcommittee on General Oversight,
Committee on Small Business,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN LaFALCE

Mr. LaFalce. The Subcommittee on General Oversight will come to order.

This morning is the first of 3 days of General Oversight Subcommittee hearings investigating small business opportunities for participation in Federal procurement.

This subcommittee is very concerned about maintaining the strength and vitality of our economy's small business sector. It is a sector that is often overlooked by policymakers who concentrate on the industrial giants and ignore the aggressive entrepreneurial foundation upon which our economy is built, the small business.

Several points should be established before we consider the specifics of the treatment afforded small business by Federal procurement officials.

First, small business accounts for almost half of the Nation's private gross national product.

Second, small business provides virtually all new private sector employment.

Third, small business accounts for at least 50 percent of all major innovations.

And fourth, small business is the most competitive sector of the economy at a time when the free market is more highly regarded in theory than in practice.

Our General Oversight Subcommittee plans to hold extensive hearings this year on the role that small business should play in the revitalization of the U.S. economy. We plan to examine the state of the small business sector today and how Government policies and actions affect small- and medium-sized firms.

We plan to look at how small businesses get started, what conditions they need in the private sector and what types of Government assistance they require if they are to develop into thriving additions to our economy.

I want to focus on Government's mission in helping small business.

It is essential that the Federal Government follow a balanced policy that recognizes the need not only to help the large industries, but to assist the small businesses that can and will provide the underpinning for a stronger, healthier economy.

Last month we examined the impact of high interest rates on small business. The 3 days of hearings that begin today will focus on the following areas:

One, the development of the congressionally mandated programs designed to insure that the small business sector has an equitable opportunity to compete for Federal procurement;

Two, the commitment, or lack of commitment, of the agencies and the administration to implement congressionally mandated programs designed to insure that the small business sector has an equitable opportunity to compete for Federal procurements; principally the 507, LSA and various set-aside programs; and

Three, the obstacles which continue to frustrate small business participation in the Federal procurement system.

With procurement contracts in excess of $100 billion annually, the procurement policies of the Federal Government will either foster the growth of our Nation's small business or contribute substantially to the decline of small business by promoting the trend toward giant corporate control of both our economy and the Federal procurement system.

The small business sector is not asking for favors. It is merely requesting a fair opportunity to compete. However, as anyone familiar with our Federal procurement system can attest, the deck is heavily stacked.

Many of the major Government contractors maintain offices strategically located around the agencies and the Pentagon. They understand and frequently manipulate the system. The success of their efforts can be readily observed in the unconscionable level of sole source and negotiated contracts let by the Federal Government each year.

The growing influence of these contractors has led the Federal procurement system steadily and unmistakably in the direction of a pronounced bias in favor of large corporate contractors.

There are those in the administration who might well argue for a neutral Government policy toward small business participation within the Federal procurement system.

No doubt both they and their friends among the major corporate contractors were encouraged by the recent testimony of Deputy Secretary of Defense Carlucci who stated in testimony before the House Armed Services Subcommittee on Readiness that the Federal acquisition process had become overburdened with socioeconomic programs such as those programs for small business.

While Mr. Carlucci later claimed that his controversial remarks were in error, it remains to be seen whether the administration has in fact embarked upon a course of action designed to defeat the congressional intent embodied in both the 507, LSA and various set-aside programs.

Let me also suggest that pursuit by the administration of any such neutral procurement policy will not be tolerated by a Congress that has long recognized such a neutral policy as an ill-disguised bias favoring large corporate contractors.

Of late the press has inundated us with stories of how the U.S. defense industrial base has been permitted to steadily decay. Many seasoned observers now question whether the most obvious result of the massive infusion of defense procurement dollars over the next few years may be huge bottlenecks.

What the system demands is greater manufacturing flexibility, and shorter turnaround time on both maintenance and production.

Unless they are blind, the administration's procurement officials must come to realize what one of our witnesses, the Gould Corp., has already experienced. An expanded small business supply/production base results in substantial cost savings and shorter turnaround times.

We will also hear testimony from a number of witnesses who will help to establish a record of the recalcitrance of a Federal procurement system which continues to generate innumerable devices to discourage small business participation.

I wonder if the minority, through its ranking member, Mr. Stanton, has any comments to make at this time?

OPENING STATEMENT OF HON. J. WILLIAM STANTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. STANTON. Thank you very much, Mr. Chairman.

I certainly want to reiterate, Mr. Chairman, your remarks on outlining, as you did originally, the ambitious goals this subcommittee has set for itself this year in attempting to bring before our committee the problems that small businesses have.

The outline, as you stated, at this particular hearing on the subject of Federal procurement, has been broken down on purpose in 3 days of separate hearings.

One, we will hear today from what I would call the firing line, the small companies immediately involved in the procurement process. Then, Mr. Chairman, you have rightfully brought in the administrators of small business, the GSA, the appropriate agencies that are involved.

Finally, we will hear from the procurement officers of the related military installations and departments themselves.

Mr. Chairman, in addition to that, we will be hearing from, later on today, the Gould Ocean Systems Divisions of northeastern Ohio, some of whose employees are residents of my congressional district.

Their testimony, like the others, is extremely important and I once again congratulate you and our staffs for formulating the start of these 3 days of intensive hearings.

Thank you very much.

Mr. LAFALCE. We will insert Mr. Addabbo's opening statement at this point in the hearing record.

OPENING STATEMENT OF HON. JOSEPH P. ADDABBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. ADDABBO. Mr. Chairman, as you know, I view these hearings as both essential and timely. I say this in two capacities. First, as chairman of the Defense Appropriations Subcommittee, I am very concerned with the sorry state of our industrial base. Billions of new dollars are being funneled into the Department of Defense without a clear plan for insuring that our productive capacity can measure up to demand. That relates to my second concern, as a member of this committee, that small business is given a fair opportunity to participate in Government procurement. This committee has been struggling for years to improve Government and large prime contractor performance, to get them to give more contract dollars to small firms. Today, the importance of doing this is even more compelling, in light of recent reports from the GAO, Congress, and defense experts that our industrial base is critically deficient. Only by an aggressive program for increasing small business participation will the Department of Defense be able to fulfill its procurement needs. If this is done, our Nation will also receive better "bang for the buck," since it has been established that small businesses usually can produce cheaper and faster than the large firms.

I must say "if" this is done because of reluctance of agencies in the past to take small business initiatives seriously. It is not that Congress has not been promised by agencies that progress would be made. If promises were actual contracts, we would not be experiencing this crisis in defense production capability.

With the new administration, new questions have arisen as to the commitment of giving small business a fair share. In February of this year, before the Appropriations Committee, I asked OMB Director David Stockman whether small businesses would have more opportunities to compete for Government contracts. His answer was affirmative. Whether this promise will be carried out is yet to be seen.

Today we will be able to determine what obstacles continue to prevent small businesses from receiving more than historically has been the case. This in turn will enable us to tell whether this administration is truly committed to saving tax dollars and improving our productive capacity.

Thank you.

Mr. LAFALCE. Our first witness will be Dr. Gail Schwartz, senior research scientist for the Center for Metropolitan Planning and Research and Visiting Professor of Public Policy at Johns Hopkins University.

TESTIMONY OF DR. GAIL GARFIELD SCHWARTZ, SENIOR RESEARCH SCIENTIST, CENTER FOR METROPOLITAN PLANNING AND RESEARCH, AND VISITING PROFESSOR OF PUBLIC POLICY, JOHNS HOPKINS UNIVERSITY; PRESIDENT, GARFIELD SCHWARTZ ASSOCIATES, WASHINGTON, D.C.

Dr. SCHWARTZ. Thank you, Mr. Chairman. It is a great pleasure for me to be here today and have the opportunity to address this distinguished committee which has certainly identified one of the major issues facing the United States today as it strengthens its efforts to rebuild the U.S. economy.

I am going to talk to you about the role of small business as a vital link in the defense production chain. My remarks will be based on extensive work I have done in the area of policy analysis and economic development for the past 10 years.

As no one knows better than this committee, serious bottlenecks and choke points adversely affect the Defense Department's ability to procure military equipment in a timely, efficient, and economical manner. These difficulties have resulted in a dramatic increase in the time lags for defense procurement to as long as 10 months to 120 weeks, in many instances.

Small firms comprise an estimated one-fourth of all firms producing for the Defense Department and they face special problems. Although there is no overall estimate of the value of Defense-related procurement from small firms, in 1979 approximately 20 percent of DOD prime contracts were awarded to small business as defined by the Department of Defense.

However, the Department of Defense defines "small" as a firm having 500 employees or fewer and this would not be considered small by any common definition of small enterprise.

Small firms are pivotal in the defense production chain because they produce the highly specialized tools and equipment, often in very small runs, that make sophisticated weapons systems work. They are usually subcontractors although in my research I have found that they are surprisingly often prime contractors. There may be as many as five tiers of subcontractors involved in any one final product. They provided an estimated $8 billion worth of shipments to the Department of Defense in 1978.

There are some 92 separate industries involved in defense production, but the primary contributors at the subcontractor level are in the machinery sector and the electronics sector; the former, of course, producing the tools, dies, and molds needed for making weapons parts and the latter makes the control elements that make these sophisticated systems work.

Small firms in both these sectors make up over 53 percent of all firms in the sector producing for defense.

Small firms in these sectors have a hard time getting capital. They have a hard time hiring and retaining skilled workers. They have little time to spend on bidding, and they often lack the sophistication needed to cover the higher cost of dealing with the Federal Government.

The reasons for this are well known to the members of this committee. Equity capital is hard to come by because many small firms have limited profits and are not eligible for venture capital risks. Most of them are privately held corporations.

Debt financing is hard to obtain because the firms' limited assets often put them in at a disadvantage for collateralized loans and they are often bid out of the market, especially in times of high interest rates.

Small firms have trouble competing for specialized personnel in a tight labor market. They cannot offer the wage-fringe package that many large firms provide and they cannot afford the increasingly longer time it takes to train skilled workers such as journeymen machinists who operate the very sophisticated equipment that is now used in the machinery sector and particularly in the defense-related market.

Let me talk to you a minute about a study I recently completed of three industries in the State of Maryland which I believe offers an excellent case in point.

In Maryland there are 19 industries which do or could produce for the defense market. They include approximately 470 firms and an estimated 46,000 employees. The industry that has the largest number of employees is Radio and Communications Equipment, which had an estimated 13,300 employees in 1979 in approximately 75 establishments.

In order to determine the degree to which small firms in Maryland are now participating in the defense industrial base, a survey of firms in these sectors was conducted. It covered 100 percent of the firms with employees of 25 or fewer and three SIC codes.

The response rate for the survey was exceptionally high with over 60 percent of the firms surveyed responding; 51 percent of the firms surveyed are now defense subcontractors. More of the specialized machinery firms are defense contractors than in the communications and machinery industry.

The proportion of sales of the firms which are defense-related is much higher in the electronics sector than in the machinery sector.

In the machinery sector, 42 percent of the firms which are now defense-related contractors produce 1 to 10 percent of their output for the defense industry and 31 percent produce between 11 and 25 percent of their output for the defense industry.

In the electronics industry, by contrast, 30 percent of the firms produce more than 50 percent of their output for the defense industry, but the vast majority of the electronics firms which are defense contractors produce 25 percent or less for defense.

Unfortunately, no comparable studies on the output of small firms for defense-related production exist to provide a framework for interpreting the results of this survey.

We are almost in a situation where we don't know whether the glass is half empty or half full.

On the one hand a large proportion of output seems to be going to defense. On the other hand, a very substantial proportion—19 percent—of the firms surveyed indicated they would like to produce for defense but are not.

What are the reasons that they are not producing for defense?

In rank order, the problems that the firms themselves list are as follows:

First, complying with paperwork requirements. This is the burden which every entrepreneur complains about vociferously and in a loud voice and continuously. They cannot spend the time which is very, very valuable to a person who has to both run a business and supervise the plant to do the extensive paperwork.

Incidentally, a very high proportion of these firms are unaware of the announcement process. They are even unaware of the Commerce Business Daily's announcement of upcoming procurements.

Their second major problem is conforming with social objectives such as compliance with Davis-Bacon.

Their third major problem is meeting irregular schedules. These schedules are the responsibility not only of the Federal Government and procurement officers, but also of the prime contractors or the tier to which any contactor is contracting.

Finally, meeting the technical specifications is a problem for small firms because they do not often have the design capability inhouse that is necessary in order to meet the very high tolerances that are required for defense production.

A small number of firms indicated that despite all these problems they were sophisticated enough to know that they could cover the extra costs of dealing with the Federal Government through their pricing, but they indicated that despite this fact they have trouble with cash flow and that progress payments were not always available to them and so they were carrying the cost of production for a very long period of time which they could not afford to do.

The inability of small domestic firms to produce the parts needed on time at planned cost, of course, means that their customers look elsewhere for these parts.

It does not augur very well for the Nation's military or political independence to rely on Japanese, Swedish, or German suppliers for weaponry.

If the United States tries to become more self-sufficient in defense production and small firms can't deliver the needed products on time, then large firms will have to begin to produce them in greater numbers than they now do, but this may be more costly and more inefficient to the economy as a whole.

Large firms should not maintain online capacity for production which is only occasionally used.

A final reason for augmenting the ability of small firms to compete in the defense market is that the expertise that they gain by doing so also has commercial benefits and expands their capability to compete in the commercial market as well.

In these sectors that we are talking about today, machinery and electronics, foreign imports are taking an increasingly larger portion of the domestic market, and firms in other countries which buy the products of these firms are more and more turning to German, Swedish, Japanese, Italian, producers of machinery and electronics equipment and, of course, to that amazing competitor, Japan.

Improving capacity of small firms in these sectors would revitalize the economies of States that are now in deep economic trouble: Illinois, Michigan, Indiana, New York, New Jersey, Ohio, Maryland and many other States, as well as the large defense producing States of California and Texas, would benefit.

The recommendations that flow from this analysis are clearly that there is a need for stronger efforts to assist firms to participate in the defense-oriented market. Information sessions for small firms in particular industries directed to the products that those industries can and should produce, are necessary; and special efforts should be made to publicize the conferences in each locality well in advance.

A guide to compliance with paperwork requirements is needed.

More personnel must be trained so that firms have additional capacity.

A crash program to train machinists and engineers would not be too dramatic to respond to the crucial shortage of specialized personnel in those fields. One way to do this would be to offer job tax credits and a differential for small firms so that they would be able to match the pay scales of larger firms.

It would also be appropriate, in my view, for the Defense Department to revise its definition of "small," because 500 employees or fewer does not speak to the real nature and character of small firms in the United States.

If programs such as the special Defense Department BESAT program—which will provide special Government support for research and development on specific Government defined topics in small firms—are to affect the vast majority of enterprises which are small, the definition will have to be changed to, I would suggest, 50 or fewer.

Finally, the revision of procurement regulations to allow multiyear advance funding of defense procurement will benefit small firms. It will enable them to schedule their production and manage their cash flow far more efficiently than they can do now.

Further, if such changes direct that the most efficient production and acquisition rate must be utilized, small firms will be in a stronger position to compete.

I thank you.

[Dr. Schwartz' prepared statement follows:]

PREPARED STATEMENT OF DR. GAIL GARFIELD SCHWARTZ, SENIOR RESEARCH SCIENTIST, CENTER FOR METROPOLITAN PLANNING AND RESEARCH AND VISITING PROFESSOR OF PUBLIC POLICY, JOHNS HOPKINS UNIVERSITY; PRESIDENT, GARFIELD SCHWARTZ ASSOCIATES, WASHINGTON, D.C.

The U.S. economy could not respond to a sudden demand for weapons and equipment to fight a prolonged, conventional war. Serious bottlenecks and choke points adversely affect the Defense Department's ability to procure military equipment in a timely, efficient and economical manner. These difficulties have resulted in a dramatic increase in the time lags for defense procurement, to as long as 120 weeks in many instances, according to the House Committee on Armed Services.

A major reason for the lack of a surge capacity is that small firms, which comprise one-fourth of all firms producing for the Defense Department, face special problems. Although there is no overall estimate of the value of defense-related procurement from small firms, in 1979, 20 percent of DOD prime contracts was awarded to small businesses as defined by the Department of Defense. However, the Department of Defense defines "small" as 500 employees or less and this would not be considered small by the more common definition of fewer than 50 employees.

Small firms are pivotal in the defense production chain because they produce the highly specialized tools and equipment, often in very small runs, that make sophisticated weapons systems work. They are subcontractors to the larger firms which assemble the planes, missiles, and vehicles themselves. There may be as many as five tiers of subcontractors involved in one final product. They provided $8 billion worth of shipments to the Department of Defense in 1978.

There are some 92 industries involved in defense production. But the primary contributors at the subcontractor level are in the machinery sector and the electronics sector. The former produces tools, molds and dies needed for making weapons parts; the latter makes the control elements that make these sophisticated systems work. Small firms in both these sectors make up over 53 percent of all firms in the sector producing for defense.

PROBLEMS OF SMALL FIRMS

Small firms in these sectors face crucial difficulties. They have a hard time getting capital. They have a hard time hiring and retaining highly skilled workers. They have little time available to spend on bidding. And they often lack the sophistication needed to cover the higher cost of dealing with government.

Equity capital is hard to come by because many small firms are high risks and privately owned. Debt financing is hard to obtain because the firms' limited assets often put them at a disadvantage for collateralized loans.

Small firms have trouble competing for specialized personnel in a tight labor market. They cannot offer the wage-fringe package that many large firms provide. Worse, they cannot afford to pay well during what may be long learning periods as workers master new equipment that is constantly changing.

A study I recently completed of three industries in Maryland offers a good case in point. In Maryland there are 19 industries (4-digit level) which do or could produce for the defense market. They include approximately 470 firms and an estimated 46,000 employees.[1] The industry with the largest number of firms is industry 3599 (machinery not elsewhere classified) which had an estimated 1,239 employees in 1979. The industry that has the largest number of employees is SIC 3662, radio and communications equipment, which had an estimated 13,300 employees in 1979, in approximately 75 establishments.

The defense market is obviously critical for the State of Maryland for two reasons. One, Maryland is home to several large corporations producing for the Defense Department including Westinghouse, Fairchild, and Martin Marietta. Two, many of the small firms in the electronics and machinery sector are now or could be in the future subcontractors (and occasionally prime contractors) to the Defense Department.

In order to determine the degree to which small firms in Maryland are now participating in the defense industrial base, a survey of firms in the machinery and electronics sectors was conducted. This survey covered 100 percent of the firms with employees of 25 or fewer in SIC codes 3599, 3662, and 3773 listed in the "Maryland Directory of Manufacturing," 1979. The response rate for the survey was exceptionally high: 58 percent of the firms surveyed answered. Thirty-eight percent of the firms surveyed are now defense subcontractors. In SIC 3599, specialized machinery, 42 percent of the firms are subcontractors, and in the communications industry, 26 percent are now contractors. The proportion of sales of the firms which are defense-related contractors is much higher in the machinery sector than in the electronics sector. In SIC 3599, 42 percent of the firms which are now defense-related contractors produce 1-10 percent of their output for the defense industry, and 21 percent produce 11-25 percent of their output for the defense industry. Sixteen percent produce more than 75 percent of their output for the defense industry and 21 percent produce more than half of their output for the defene industry. In the electronics sector, by contrast, no firms produce more than 25 percent of their output for the defense industry, and the vast majority of the few firms which are defense contractors produces 10 percent or less of their output for the defense industry and nearly 20 percent produce more than half of their output for the defense industry.

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[1] Calculated from the "Maryland Directory of Manufacturers and County Business Patterns;" employment estimated.

No comparable studies of the output of small firms for defense-related production exist to provide a framework for interpreting the results of this survey. Clearly, a small amount of the total output of the firms surveyed is defense-related. Eighty percent of the firms surveyed produce less than 10 percent of their output for the defense industry. Furthermore, of the firms that are not now subcontractors, very few have been defense subcontractors in the past. On the other hand, 31 percent of the firms who are not now subcontractors would like to be subcontractors. Thus, the question arises why are so many firms not defense subcontractors?

A telephone survey of respondents who are defense subcontractors indicated that most produce from 1 to 25 percent of their output for defense. It also indicated that most have problems in producing for defense. These problems, in rank order, are:

1. Complying with paperwork requirements.
2. Conforming with social objectives, such as Davis Bacon.
3. Meeting irregular schedules.
4. Meeting specifications.

A telephone survey of respondents who are not defense contractors but would like to be, showed that:

1. Over one-fourth of the firms are unaware that the Defense Department announces its intentions to procure.
2. Almost all feared that the cost of bidding would be too high given the low probability of getting a contract.
3. Many feared that their cash flow would suffer because they would not get paid until the product was delivered—they were unaware that they could obtain progress payments. On the other hand, many of the firms that are now in the defense market do not use progress payments and do not seem to suffer.
4. Worries about affecting their cash flow obviously deters small firms from bidding more than worries about getting capital or financing that they might need if they won the bid (although this may be unrealistic on their part.)

The inability of small domestic firms to produce the parts needed, on time, at planned cost, means that their customers look overseas for those parts. It does not augur well for the nation's military or political independence to rely on Japanese or German or Swedish suppliers for weaponry. In time of war, this overseas dependence could be catastrophic.

If the United States tries to become more self sufficient in defense production, and small firms cannot deliver the needed products on time, large firms may have to produce them. But, this may be more costly to the economy as a whole. It is inefficient for large firms to retain on line highly specialized capacity that is only occasionally used.

Defense production has beneficial spinoffs for small firms, as it expands their technological know-how.

Improving capacity in these sectors would help revitalize the economies of states in deep economic trouble. Illinois, Michigan, Indiana, New York, New Jersey, Maryland, and many other states would benefit, along with the larger defense-related states of California and Texas.

RECOMMENDATIONS

There is a need for stronger efforts to assist firms to participate in the defense-oriented market.

DOD should sponsor information sessions for small firms of all sizes. Special efforts should be made to publicize the conference to small firms of fewer than 25 employees.

A guide to compliance with paperwork requirements is needed.

Train more personnel so that firms have additional capacity. Many firms surveyed in Maryland do not now bid on defense-related contracts because they are working at 100 percent of capacity. This means that there is an unrealized potential to expand the sectors serving the defense market, especially in machinery and electronics, either by adding firms or adding to capacity in existing firms. Capacity expansion requires skilled labor. The National Tooling and Machining Association estimates that a shortage of 30,000 skilled machinists in defense-related work alone will exist by 1985.[2]

What is needed is a public-private effort to strengthen the competitive position of small firms in the key sectors that feed the defense industrial capacity. These efforts must go beyond changes in procurement practices or bidding systems now under consideration by Congress. Such adjustments may ease the pressure on small firms by improving their cash flow. But high rates of inflation—which make even accelerated depreciation for new equipment of little use when cash is needed to replace it—and tight money put small firms at a great disadvantage. Special credits could be offered to small firms to enable them to buy materials and equipment needed for defense production.

The nation also needs a crash program to train machinists and engineers. Job tax credits could be made available to small firms so that they could match the pay scale of larger firms.

It would also be appropriate for the Defense Department to revise its definition of "small" firms which currently applies to firms of 500 employees or fewer. As has been indicated over 85 percent of the firms in the machinery and electronic sectors in the State of Maryland are firms with fewer than 500 employees. If programs such as the Special Defense Department BESAT Program which will provide government support for research and development on specific government defined topics in small firms is to affect the vast majority of firms which are very small, the definition should be changed to firms of 50 fewer employees.

Finally, the revision of procurement regulations to allow multiyear advance funding of defense-related procurement will help small firms. The repeal of Section 810 of the Act of Public Law 94-106 which placed a $5 million ceiling on cancellation costs applicable to multiyear defense procurement contracts, would include the provision that advance procurement of components, parts and materials necessary to manufacture weapon systems may be for a period of up to 5 years and may be used to reduce costs of bulk purchases. If such changes further direct that the "most efficient" production and acquisition rate would be utilized for each system, small firms are likely to benefit.

The sectors which serve the defense market are highly competitive and also one of the last areas in which aggressive entrepreneurship can pay off. Many firms surveyed on the telephone expressed the fear that government would intervene to help them and further foul up circumstances.

The nation's defense needs should trigger efforts to strengthen small machinery and electronics firms. This would send beneficial ripples through every region of the country. It could also determine the outcome of any war or police action in which we might find ourselves.

Mr. **LaFalce**. Thank you, Dr. Schwartz, for your excellent testimony. You have given me precisely what I wanted; an overview of the importance of the small business sector when it comes to the procurement policies of the Federal Government and its importance, also, to the defense industrial base.

I have no questions.

We have so many witnesses. I would hope that none of the other members of the subcommittee would have questions at this time so we could proceed.

However, if you feel compelled, I would certainly defer.

Mr. **Stanton**. No thank you, Mr. Chairman.

Mr. **LaFalce**. Dr. Schwartz, thank you very much.

I would now like to call to the witness table Mr. Terry Ford, assistant to the president of Gould's Ocean Systems Division, Cleveland, Ohio.

Mr. **Ed Weber**. May I interrupt at this moment?

Mr. **LaFalce**. You certainly may, Congressman Weber.

Mr. **Ed Weber**. Will these witnesses be available later on?

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[2] Interview with National Tooling and Machinists Association, 1900 Livingston Road, Washington, D.C. 20022. Telephone: (301) 248-2600.

Mr. **LaFalce**. What I do intend is to have questioning of the witnesses as of the time they testify. I do not think it would be appropriate to ask Dr. Schwartz though to wait until we are finished with all the witnesses. It might be considerably later.

TESTIMONY OF TERRY FORD, ASSISTANT TO THE PRESIDENT OF GOULD'S OCEAN SYSTEMS DIVISION, CLEVELAND, OHIO; ACCOMPANIED BY MIKE LeHERE, DIRECTOR, MATERIALS, AND DENNIS FRANTA, MATERIALS MANAGER, PURCHASING DEPARTMENT, AND BILL SILVERMAN, PRESIDENT, WILLIAM SILVERMAN & CO.

Mr. **Ford**. Thank you, Mr. Chairman.

I am Terry Ford, assistant to the president of the Ocean Systems Division of Gould.

With me today are Mike LeHere to my left, director of materials, and Dennis Franta, materials manager of our purchasing department.

Also with me is Bill Silverman, president of William Silverman & Co., consultants instrumental in designing and implementing the approach used to increase small business participation.

We will start our presentation by showing you a video tape which outlines our small business program. It was produced for Gould's internal use. However, we're pleased to share it with you.

Mr. **LaFalce**. Ordinarily I am not too pleased at having video tape presentations before the subcommittee. However, I did think this was of such high quality that it could be a useful educational tool for all the members of the subcommittee regarding the various programs and how those programs could be implemented and that it could set the stage, could be useful too for the governmental agencies that have to administer these programs. So proceed.

Mr. **Ford**. Thank you. [Video tape shown.]

[The video tape script follows:]

"Make it in Cleveland"

VIDEO TAPE SCRIPT

The purpose of this presentation is to present an idea—an idea with the potential to save Gould millions of dollars a year by cutting expenditures and substantially improving efficiency at the divisional level.

At Ocean Systems Division, where the idea originated, we know that it works. We expect to save from $2 million to $3 million in parts, services and supplies on annual purchases of only $12 to $14 million.

And we believe that this same idea, applied to other Gould Divisions, can be just as successful. Imagine what savings like these could mean if transferred to a big chunk of the $800 million that Gould buys nationwide. For instance, only a one percent saving would add $8 million to the bottom line.

Like many ideas, this one was born out of necessity. In this case it was a tough new federal regulation.

With $220 million in government contracts handled by its 20 divisions, federal regulations are nothing new to Gould.

We all know that government edicts can hamper business efficiency, stymie productivity and lead to increased costs. But sometimes, they can be a blessing in disguise. By forcing us to do things differently, they make us re-evaluate our traditional practices. And sometimes, the results can be surprisingly beneficial.

So it was for Ocean Systems. Strict enforcement of Public Law 95-507, mandating the use of minority and disadvantaged small business subcontractors, made OSD rethink its nationwide approach to the buying of outside parts, services and supplies. It led to a program called "Make it in Cleveland," through which OSD qualified 140 new suppliers—all local small businesses, many of them minority owned. About half of them are now saving our Division from $2 to $3 million annually. The others are on call, waiting to serve us when we need them.

Uncovering these local entrepreneurs was time-consuming, tedious and costly work. Some of them had—literally—to be led by the hand. We had to go into their shops, examine their equipment, help them fill out the complex government forms, and prove to them that they really could contribute to the production of one of the government's most sophisticated primary weapons systems.

Bottom line, it proved to be well worth it.

The result has been the gathering of a new, eager group of suppliers, close at hand, willing and able to produce parts and services that, in the past, were often difficult to obtain—even at a greater cost—from larger, more conventional suppliers.

In the process of enlisting these new companies in Greater Cleveland, the Ocean Systems Division won for Gould the praise and commendations of community and political leaders and the news media for improving business conditions in Northeast Ohio.

But, the most dramatic result of building a new base of small local suppliers was the Division's ability to reduce its cost for machined parts by 35 percent—with overall savings on purchased parts to date running 27 percent.

The Ocean Systems program was unique for Greater Cleveland, where we are headquartered. But, the approach used is not dependent on any special type of procurement or specific geographic location. It can be duplicated by other divisions because the philosophy and controlling factors are commonplace.

For example, given the proper conditions—when there are small firms located near user facilities with the capability to produce parts and offer services. The program might also be successful for the Chesapeake Instrument Division in Maryland, the Simulation Systems Division in New York, or the NavCom Systems in California, all of which hold important government contracts subject to the same federal regulations.

Benefits of the program are not really restricted to single divisions or to government contractors. Under the Gould banner, several small divisions could possibly combine their total dollar requirements to recruit additional local suppliers in the Chicago area—such divisions as Fluid Components, Distribution and Controls, Foundry Products, Valve and Fittings, Replacements Marketing and the New Business Group could possibly form a small business vendor search consortium.

But, we are ahead of our story. Let's go back to the beginning of the Ocean Systems program called "Make it in Cleveland."

The stimulus, as we said, was a tough federal edict called Public Law 95-507. It mandates that divisions with substantial government contracts must make greater use of small business subcontractors, companies that employ 150 or fewer people, and particularly minority-owned firms and those that employ the handicapped.

To comply with this law, it is not enough to seek out these small subcontractors. You must be able to demonstrate results that make these entrepreneurs part of the production team—or face the threat of losing the government order.

As you know, the major government contract of the Ocean Systems Division is for the production of the Mark 48 Torpedo, the U.S. Navy's prime anti-submarine weapon. In the past, most small businessmen had ruled themselves out as unqualified to bid on the precision parts necessary for this complex weapon system. So, the first major task for OSD was to describe the Mark 48 in "machine shop" terms that would not frighten off prospective small enterprisers.

Ocean Systems analyzed the 3,000 parts that comprise the Mark 48, seeking common denominators. It was detemined that if small, independent operators could supply 45 mechanical or electrical parts and services, they could also supply the majority of the other 3,000 parts and services.

The Division had been purchasing about $40 million of subcontracted parts annually from out-of-the-area concerns, while local business received orders worth $12 million. A target was set of $20 million for additional orders, over current local expenditures, provided backyard supplies could be found.

Many in the Division's Purchasing Department were skeptical that additional qualified local suppliers could be found, particularly small shops that could meet Mark 48's precise specifications and tolerances. Some—understandably—resented the extra work demanded of them in this program, believing that the most efficient and least costly procurement program was already in place.

Nevertheless, OSD management held fast to its objectives, and the program moved forward.

The next major task was the search for the names of qualified potential vendors who could meet the small business and minority business requirements. By design, the program focused on suppliers in an eight-county area within three hours' drive of the Division's headquarters.

Firms were selected by standard industrial classification (SIC) codes from lists in minority business guides, manufacturer listings, regional and state guides, Chamber of Commerce membership directories—even the Yellow Pages of telephone directories were searched.

It was a long and cumbersome process, ultimately requiring more than 200 hours of research, coding and production. Each firm was listed alphabetically on index cards by company name, address, phone number, contact person, source of listing, SIC classification, category of potential product or service, number of employees and if they further qualified as minority or handicapped firms.

The index cards were reviewed for duplications, and firms which OSD had previously found to be unsatisfactory were eliminated. From 20,000 possible names, a master list of the 4,000 best potential firms was compiled and processed into an IBM mag card system for storage and future retrieval.

The research process proved to be cost-effective because it screened out thousands of unqualifed suppliers. The eventual interview process, which could have been enormous, was thereby cut to only a few days.

Meanwhile, the 45 basic parts to be offered the new suppliers had been photographed and described by dimensions, tolerances and mil-spec quality control requirements. The 22 selected services were similarly listed and compiled in an eight-page brochure which was then mailed to the 4,000 target firms.

Immediately before the program went public, the Division conducted an in-house educational activity, complete with slides, to inform and motivate the staff. It made clear that any increase in local expenditures would be on a strictly business basis, that only qualified suppliers would be recruited. All contracts would continue to be awarded competitively.

In conjunction with the mailing of the brochure, a press conference was held with Cleveland Mayor George Voinovich at City Hall, resulting in much favorable publicity for Gould as a public-spirited corporate citizen. Advertisements were run in local papers for a week, further alerting the public and local businessmen to the program.

Part of the brochure sent to target firms was a bingo reply card which could be detached and mailed to a post office box. At this stage, all a potential supplier had to do was circle a number corresponding to the part or service the firm wished to supply.

Of the 4,000 brochures sent to the prospective suppliers, there were about 1,600 responses. These were further screened and processed so that, ultimately, a list of 600 solid leads was compiled. The 600 companies were invited to a convenient Holiday Inn for appointments with the Division's purchasing agents and quality control personnel. Approximately 400 vendors came for these interviews.

From the interviews, the Division was able to pre-qualify nearly 200 firms, which were sent the government forms and requirements for final qualification.

Suddenly, the process which had been moving along swiftly began to grind to a halt. What was wrong?

Inquiries from the Division revealed that the finalists were unable to handle the complex bidding forms. Further, some firms feared they could not meet the rigid production requirements and work area standards mandated by the U.S. government.

To counter this resistance, the Division dispatched three-person teams to visit the prospective suppliers. Each team consisted of a buyer, a quality control engineer, and a manufacturing engineer to assist in filling out the necessary government forms.

This direct approach to the small business operators solved the problem. The machine shops were shown how they could comply with the government regulations and the necessary paperwork was completed.

At the end of six months, OSD's "Make it in Cleveland" campaign had achieved its objectives. And, in fact, done quite a bit more.

We had complied with the Public Law by adding 63 small suppliers who had never before worked for us. Ten of them were minority-owned operations. Moreover, we had identified 77 other small companies who were qualified for orders.

"Make it in Cleveland" was described as a model economic revitalization program by Cleveland's Mayor, and Ocean Systems was named the lead company in an areawide business development drive.

On a wider scale, an important technology transfer had been effected—the 140 local firms newly qualified to serve Gould's Ocean Systems Division now realized they could also serve other areawide defense and high technology industries.

Finally, and most important, the investment to secure the new local suppliers was being repaid many times over in procurement cost reductions that contribute to the Division's bottom line.

For these many results, we can only agree with Mayor Voinovich, who said "Make it in Cleveland" was an idea whose time had come.

Now, we want to update you on what happened in Cleveland as a result of Cleveland Mayor Voinovich's request that other area companies conduct similar efforts.

The Mayor had set a goal of $100 million in subcontracts that large area corporations would make available to local small businesses. Gould responded by inviting other area big businesses with purchasing requirements similar to Gould's to attend a Vendor's Day to meet Gould's new list of small and minority, disadvantaged suppliers. By this time, the Gould small business list of qualifed vendors had grown from 140 to 170.

The "Make it in Cleveland" Vendor Day was conducted at a downtown hotel. In attendance were more than 130 small and minority businessmen and forty-seven purchasing professionals, representing eighteen buying corporations.

The eighteen included such corporations as: Reliance Electric, Eaton, Lear-Siegler, Babcock & Wilcox, Picker International, Technicare Corporation, B. F. Goodrich, Cleveland Pneumatic, Goodyear Aerospace, Premier Industrial and Parker-Hannifin.

By purposely linking potential buyers and sellers in specific commodity and service categories, the "Make it in Cleveland" Vendor Day was designed to be different from traditional "open house" vendor conferences where buyers and sellers were often mismatched.

And, by sharing their vendors with other areawide firms, many of whom were also prime defense contractors, Gould Ocean Systems Division was providing an important technology transfer for local small businesses, while giving buying companies assistance in meeting tough governmental contract requirements and expanding their Greater Cleveland supplier base.

The interview sessions at the event were structured to give buyers and sellers an opportunity to discuss bidding and quality assurance requirements, examine blueprints and sample parts and learn specifics of company procurement operations.

The major company buying stations included mechanical and electrical parts and services, and maintenance, repair and operations categories.

The vendors represented machine shops, metals finishing houses, electronics distributors, office and chemical supply firms and service facilities.

Interview sessions ran continuously from 8:30 a.m. to 1:30 p.m., and because buyers had advanced information from Gould on the vendors, the average buyer-vendor meeting took only 10 to 15 minutes.

The Vendor Day's precedent-setting format gave vendors an opportunity to meet dozens of prospective customers in a few hours, while buyers could screen more than a hundred potential suppliers in one setting.

When the Vendor Day was completed, a press conference was conducted by Gould Ocean Systems and Mayor Voinovich's office with local economic development and business officials, defense department representatives, plus selected buyers and vendors.

The officials attending the press conference praised the efforts of the participating companies and the event sponsor, Gould Ocean Systems. Typical of comments were those by Wilma Combs, Small Business Program Director of the Local Defense Contracts Administration Services Region.

"We of DCASR Cleveland are gratified to know that the business community in Cleveland shares the aim of Congress set forth in Public Law 95-507. It is vital to the well-being of this nation that we expand our industrial base. This is only possible if every segment of the business community is able to participate in the free enterprise system. The dedication of each of the firms here represented to this principle is evidenced by your participation in this program."

In summary, the vendor recruitment approach first developed, tested and implemented by Gould Ocean Systems Division is now a refined procurement process that has been adopted by the Greater Cleveland business community.

The strength of the "Make it in Cleveland" program is that its methodology can be reapplied in other locales, and with various types of commodity and service categories.

Increased localized procurement by major companies has several distinct benefits: buying corporations save money on purchases through increased competitive bidding and shorter supply lines.

Small businesses win important renewable subcontracts and are qualified to serve related company customers.

The local economy is boosted with recycled business dollars that help cut unemployment and increase tax revenues. And, bottom line, a strong diversified small business base is created to strengthen the nation's production capabilities.

The wheels set in motion by "Make it in Cleveland" hold positive widespread implications, not only for northwestern Ohio, but the national business community, as well.

Mr. LaFalce. Thank you very much for that presentation, Mr. Ford.

I notice you have additional comments to make at this point.

Mr. Ford. Yes, Mr. Chairman. Thank you.

As a result of the "Make it in Cleveland" program you have seen on the video tape, our division substantially reduced the Government's cost for materials and services while increasing the percentage of minority and handicapped firms, as our suppliers.

In fact, according to the Small Business Administration, that percentage is now more than double the national average for defense contractors and that percentage increases monthly as our new, qualified cadre of small businesses becomes more experienced in meeting our needs and therefore more able to take on more of the work.

The "Make it in Cleveland" process has been guided with one fundamental philosophy: It is a strict business effort. All awards for contracts are made on a competitive basis.

This program is not a business handout. Having a solid base of nearby small business subcontractors is a good business practice.

In addition, a viable broad-based network of qualified small business vendors able to work for the defense industry is obviously in the national interest.

We have been asked to comment on Public Law 95-507.

The fact that the law exists did act as a spur for us to seek creative ways to increase small business participation. We do feel it should be amended to make it more constructive.

Public Law 95-507 authorizes Federal agencies to provide incentives to encourage subcontracting opportunities for small and disadvantaged businesses.

However, no incentives have been specified and guidelines are needed in that regard.

Beyond simply recovering the costs of the program, there should be established criteria which, when met are rewarded.

For example, the Department of Defense now uses a formula to approve a contractor's profit. We recommend that formula include considerations for specific incentives for excelling in compliance.

I mentioned earlier that our division presently outperforms other defense contractors on the average by a ratio of more than 2-to-1 in complying with Public Law 95-507. Despite that fact, our division has yet to receive any incentive consideration by the Government's procurement contracting officers.

If other companies are going to embark on similar experimental and, therefore, time-consuming efforts to seek and qualify small businesses as suppliers, such actions would be more justifiable to them if success is rewarded by identifiable incentives.

Further, the law as written is silent on how it is to be enforced. As a result, a number of different governmental agencies have become involved in keeping scorecards on how good a compliance job is being done by the defense contractor.

I have with me here seven different forms sent by four different Federal agencies, all collecting basically the same information.

In addition to that, every time we receive a contract for one-half of a million dollars or more, we must file a plan and a dollar goal for using minority contractors with still another Federal agency.

It is our contention that with a slight variation one of these forms, the one sent by the Washington Headquarters Service of the Department of Defense, would supply all the information asked for by all the other agencies we presently must report to now.

It would certainly save a great deal of time and cost if there were just one coordinating Federal agency collecting the information we must report.

A computer could be used to break out the data required by other agencies rather than putting the burden on business for multiple reports to do what, frankly, gentlemen, we feel is the Government's job.

Presently we report to the Small Business Administration, the Defense Logistics Agency, the Defense Contracting and Small Business Administration, the Washington Headquarters Services of the Department of Defense, and in addition, for every contract we receive for one-half of a million dollars or more, to the military procurement contracting officer.

In summary, it is our recommendation that you consider amending Public Law 95-507 by being specific about the incentive award for successful compliance and by eliminating the costly and fragmented reporting services that are currently in place.

Further, we would recommend that you consider setting annual goals for compliance that are based on the forecasted sales and procurement activities.

It should be possible to update these goals semiannually, based on latest economic information.

Mr. Chairman, distinguished members, thank you.

Mr. LaFalce. Mr. Ford, I want to thank you for the presentation, both of that video tape and your testimony. I also thank you for your suggestions.

I think what you have done is simply outstanding. You have taken the mandate of a Federal law and you have said we will not fight it, we will work with it, and you have found out that it has been good for your own business; it has been good for other local area businesses, and it has been good for the country.

It has been a great boon to the small business community and to the minority business community.

I do not have too many questions, but I do have a couple of comments. Insofar, first of all, as incentives are concerned, there is a provision of Public Law 95-507 which specifically authorizes each and every Federal agency to provide such incentives as they deem appropriate.

An issue which our subcommittee can consider is whether or not we would want to mandate the award of such an incentive.

That would not be my preference. However, I do think it would be appropriate for our subcommittee next Tuesday and Thursday, when we have the Federal agencies before us, to specifically ask them whether they have considered incentives and whether they would consider incentives.

I certainly think that it would be wise to do that.

Second, you make an excellent point. We have too many different forms. Those forms are not mandated by law; they are mandated by the individual agencies.

If we could use one form rather than seven forms and report to one agency rather than four different agencies, it would certainly simplify the task of the small business community.

As Dr. Schwartz pointed out in her testimony, according to her studies the principal difficulty of the small business community in accessing Federal procurement is paperwork. That is precisely what you are talking about.

Again next week I hope our subcommittee will take this up with the various Federal agencies, particularly the Office of Federal Procurement Policy which has the generalized authority for coordinating all these activities.

Also, insofar as your goals are concerned, you suggested we legislatively mandate goals. What we have done is mandate that the agencies come up with the goals. We have not set the goals for the agencies. One of the difficulties in the past has been that they have been lethargic in the setting of goals and then they have shown almost total inertia in implementing the goals once established.

That again is what we will be questioning the agencies on next Tuesday and Thursday.

I wonder though if you could comment about the difficulties that you experienced in your own corporation in working with your corporation to get them to comply with the Federal law?

It might be helpful for other agencies. Also, do you have any thoughts on the need for other firms to develop outreach programs or consortiums as you have done? Also, to what extent have you attempted to educate Federal agencies to your experience so that they might use your experience as a model for other corporations in other areas of the country as a means of implementing the various Federal laws?

Mr. FORD. Thank you, Mr. Chairman. I would like to comment on the first two questions.

I think on the third one I will turn it over to Mr. Dennis Franta.

On the first question, with regard to the problems we encountered trying to implement Public Law 95-507, I think the biggest difficulty, as any new program that comes into a major corporation that changes the old ways or puts new additional requirements, there was a lot of resistance with our own organization.

That is why we thought it was necessary to come up with a different approach; therefore, the "Make it in Cleveland" approach.

The second part of your question, Mr. Chairman?

Mr. LAFALCE. The need for other businesses to develop outreach programs, the need for cities to develop consortiums, for example, in order to implement Federal mandates?

Mr. FORD. I think the need can be seen quite well from the city of Cleveland as far as what has happened to us up there.

The results of the program indicated that there is a large cadre of small businesses ready, willing, and able to go ahead and supply goods and do it in a very cost effective manner.

I think from the standpoint of our corporation we have been in Cleveland for a number of years; we will continue to be there. We feel that it is vital to our interests, to our corporate interests, to insure that we can manufacture component parts of a high quality that we have in the past.

Mr. LaFalce. Mr. Franta?

Mr. Franta. Mr. Chairman, with regard to the third question, sharing our model with other Federal agencies, we have done this by evidence of our video tape, sharing it with our local DCASR authorities, sharing it with the Small Business Administration representative who has conducted our annual audit. What we would like to do, however, is expand it further.

Today's effort is basically an offer of this concept for exposure to wherever we feel—wherever you feel the application would be necessary.

Mr. LaFalce. The very reason that I had you show the videotape was in anticipation that representatives from the Federal agencies—in anticipation of their testimony next week—are here today. I strongly exhort all the Federal agencies to attempt to adopt the Gould model and perpetuate it throughout the country.

They have found that it is in their own financial interests, they are able to save money, they are able to deal with local contractors, they are able to tremendously increase the percentage of the subcontracts that they give to small businesses and minority business. They have found that 507 is a good law, not a bad law; they have suggested that it can be improved upon, to be sure. We will certainly explore that.

We need a national effort along the lines that the Gould Corp. has undertaken in Cleveland.

Because we have so many witnesses, I will just bring my comments and questions to a conclusion.

Mr. Smith, do you have any questions?

Mr. Christopher Smith. Just one question, Mr. Chairman.

First of all, that was a very good presentation. I think all of us here have something we can take back to our own districts in terms of defense procurement.

I have one question. Of the 63 new small business suppliers that were added because of the program, how much of a turnover has there been with those suppliers? How many went on and stayed in the program? How many got off?

Mr. Ford. Currently, right now, all the suppliers that we were able to go ahead and bring on board as a result of this program, are still currently supplying us or have completed their contracts. That is our current experience.

Mr. Christopher Smith. And have reapplied to stay in?

Mr. Ford. Yes.

As we continue on or as we receive additional contract work from the Government, these are the same suppliers we use in the follow-on effort.

Mr. Christopher Smith. That is probably a credit to your screening process.

Mr. Ford. I think that is a keynote of the success of the program. In fact, as we indicated, this video tape was being prepared for our internal Gould use.

The corporation is totally supportive of these efforts. It has tremendous cost saving benefits to our total corporation.

We are attempting to regionalize as we indicated in our video tape, putting together a consortium of our own divisions, of which we have 37 in the continental United States.

As we say, we feel the $8 million number that was indicated up on the video tape is a realistic number for ourselves to go ahead and save the Gould Corp.

Mr. **Christopher Smith**. Thank you.

Mr. **LaFalce**. Mr. Weber?

Mr. **Ed Weber**. Mr. Ford, I am very impressed with your testimony. I think it is exciting to know it has been successful.

Would you turn to the bottom of page 9 where you talk about incentives? I would entertain a letter from you detailing and amplifying, elucidating your recommendations for a profit motive and also for additional consideration to those firms that exceed their compliance requirement under Public Law 95-507.

I would like to hear more about it. I do not want to take the time to go into it now.

Is Gould unionized?

Mr. **Ford**. Yes; it is.

Mr. **Ed Weber**. Are your subcontractors unionized?

Mr. **Ford**. I would say—I can't speak for all of them. Some are, some are not.

Mr. **Ed Weber**. Have you encountered any difficulties with your plant union for using nonunionized subcontractors?

Mr. **Ford**. No; not at this time.

We have a very good relationship with the United Autoworkers who are the union in our plant.

Mr. **Ed Weber**. Thank you very much.

Mr. **LaFalce**. Mrs. Snowe?

Mrs. **Snowe**. Thank you, Mr. Chairman.

I too want to congratulate you, Mr. Ford, on your innovative and aggressive approach.

The Department of Commerce, in conjunction with the Department of Defense, has assisted Members of Congress in setting up procurement conferences in various States. I held one in the State of Maine last year to assist small businesses in the Federal procurement areas.

This videotape, it would seem to me, would be a wonderful way of introducing this type of approach with many of the small businesses and prime contractors throughout the country.

I just throw that out as a suggestion.

To your knowledge has your approach been duplicated by others in other parts of the country?

Mr. **Ford**. Not at this time. We are currently talking to Mr. Don Checki, director of economic development in the State of New York.

We will be going up to New York probably on July 1 to present it to other companies up there. We are very excited about our approach. It works. It just makes good sense.

Mrs. **Snowe**. Can you tell me what has been your experience with procurement officials? Have they been helpful? Have you had problems in your relationships, dealing with them?

Mr. **Ford**. Are you referring to the contracting officers themselves?

Mrs. **Snowe**. Yes; contracting officers, the people you deal with on the specifications of the contracts.

Mr. **Ford**. With your permission, Mr. Chairman, I would like to defer that to Mr. Mike LeHere.

Mr. **LeHere**. One of the very reasons that Mr. Ford made the comment on behalf of Gould that the incentive clause be more clearly defined in Public Law 95-507 resulted from experience that we have had with procurement contracting officers we deal with.

The procurement contracting officers; we have had no problems dealing with them in the past in the negotiations of the contracts that we have; however, we have not yet had a procurement contracting officer who will recognize or negotiate an incentive clause as a result of our small business program.

It is an option, it complicates the negotiating process, and it may well be easier for them to avoid the negotiations or the discussion of that clause rather than take it up at the negotiating table.

Mrs. **Snowe**. Thank you.

Just one final question: In your experience do procurement officials examine subcontracting plans of prime contractors? Is that a very important factor?

Mr. **LeHere**. Yes; it is. Before a letter of contract or a contractual document can be awarded to a prime contractor, a small business subcontracting plan must be submitted and becomes part of the prime contract document.

It is reviewed and it is approved through the procurement contracting officer.

Mrs. **Snowe**. Thank you, Mr. Chairman.

Mr. **LaFalce**. Thank you very much, Mrs. Snowe.

Thank you, Mr. Ford, and the entire Gould Corp.

Mr. **Ford**. Thank you, Mr. Chairman.

Mr. **LaFalce**. Our next witness will be Mr. Paul Seidman. Mr. Seidman is the former Assistant Chief Counsel for Procurement in the Office of Advocacy of the Small Business Administration.

Two weeks ago Mr. Seidman left the SBA to join a small Washington law firm. I think the fact that he has left the SBA will permit him to testify with even greater freedom than he might have testified if he still were a Federal employee.

I also consider Mr. Seidman's testimony extremely important. I think he points out quite clearly and quite vividly a great many of the pitfalls that confront the small businessman if he wants to access the procurement programs of the Federal Government, a great many of those pitfalls, incidentally, are established by the Federal Government itself.

Mr. Seidman, we very much look forward to your testimony.

TESTIMONY OF PAUL J. SEIDMAN, ATTORNEY AT LAW, FORMER ASSISTANT CHIEF COUNSEL FOR PROCUREMENT IN SBA OFFICE OF ADVOCACY

Mr. **Seidman**. Thank you, Mr. Chairman. I am Paul J. Seidman. I am an attorney in private practice in Washington, D.C., working primarily in the area of Government contracts and administrative law.

Up until May 30 of this year, I served as Assistant Chief Counsel for Procurement in the Office of the Chief Counsel for Advocacy at the Small Business Administration.

I very much appreciate the committee's invitation to testify today. My topic concerns a matter that should be of some concern at a time when we are entering a period of increased defense spending. More specifically, the Defense Department's spending two to three times what it should on aircraft spare parts by freezing small business out of these procurements. This results in billions of dollars of waste annually and an unnecessary erosion of our defense industrial base.

Mr. LaFalce. I just want to interrupt you to underscore the point Mr. Seidman has made. In his judgment the Defense Department is spending two to three times what it should on aircraft spare parts and that this is resulting in billions of dollars of waste annually.

Thank you.

Mr. Seidman. The large premium paid by DOD for aircraft spare parts as a result of eliminating small business competition runs counter to the commonly held view that purchasing from small firms costs more. It is worthy to note that this small business costs more theory was most recently reechoed by Deputy Secretary of Defense Frank C. Carlucci in testimony before the House Armed Services Committee. More specifically, Mr. Carlucci stated that DOD must be exempted from socioeconomic requirements such as those relating to small business if it is to meet its procurement objectives economically.

The purpose of my testimony is in large part to rebut this small business costs more theory and to show how by eliminating unnecessary restrictions on competition and making better use of the small business sector DOD can save large dollar amounts and increase this country's level of defense preparedness.

The reason stated by procurement officials for not purchasing aircraft spare parts from small concerns is the critical nature of these parts. They invariably raise the specter of airplanes falling out of the sky. However, to my knowledge they have never been able to point to a specific situation where an aircraft has fallen out of the sky as a result of shoddy parts provided by a small business concern.

From my observation I believe that there may be some unstated reasons for DOD not wanting to purchase aircraft spare parts from small firms. To use a common expression, the first of these could be called "cover your posterior." Contracting officers feel that they will look bad if they award to a small business against the advice of their technical people and that small business does not produce. However, they feel that they won't look bad if they award to a large aircraft manufactuer that doesn't produce. After all, a large aircraft manufacturer is perceived as having massive resources that can deal with any problem that could arise. If they don't produce, how could the contracting officer possibly be faulted?

Another factor that I believe leads to the tendency of DOD officials to place these contracts with large firms is the revolving door between DOD and large defense contractors. Military officials have an early retirement age and are generally looking for something to do when their military careers come to an end. Large defense contractors are the major source of such employment. Hence procuring officials do not want to prejudice their chances for post-Government employment by doing anything that would eliminate the sole source status of large aircraft manufacturers in this lucrative market.

I would now like to address the principal means by which small businesses are screened out of these procurements; that is, bidder prequalification.

Mr. LaFalce. They are screened out of these procurements by the very Federal agencies that are charged with the responsibility of bringing them within the procurement process, correct?

Mr. Seidman. That is correct.

In order for a firm to be awarded a Government contract, a determination must be made that it is responsible. Responsibility can be defined as the ability of a firm to perform a particular contract. As a general rule, the contracting officer has the authority to make the final determination as to a firm's responsibility. However, under the Small Business Act, small business concerns have the right to have SBA make the final determination as to their responsibility, if they would be awarded a particular contract if it were not for a contracting officer's negative responsibility determination. This review is conducted under SBA's certificate of competency program.

The current fiasco in aircraft spare parts procurement results from an artifice used by DOD that deprives small business concerns of their right to have SBA make the final determination as to their responsibility. This is done by a system of bidder prequalification. The concept is fairly simple. If a small business is precluded from bidding by a bidder prequalification system, the need to refer the question of their responsibility to SBA for certificate of competency purposes never arises. It is DOD's contention that a small business is only entitled to a certificate of competency review if it would be awarded a particular contract if it were not for the contracting officer's negative responsibility determination. If a small business is precluded from bidding, this stage of the procurement process is never reached.

The way that this is done is by the assignment of procurement method codes that restrict the award of contracts for spare parts to sources that have prequalified. Although my primary focus today is aircraft spare parts it should be noted that procurement method coding applies to spare part purchases for all defense systems and equipment including Navy ships and Army tanks. The common theme running through the procurement method codes is that procurements should be restricted to prequalified sources on grounds that it is necessary to assure the reliability of a part, that unique manufacturing capabilities are needed, that adequate data to produce the part is not available or there is a question as to whether or not the Government has the right to use the data necessary to produce the item in question.

If I could digress from my prepared statement for a minute, I would like to add one other ground used by DOD. That is procurement method coding L which states that it is not worthwhile to break out an item because of the small dollar value of the item involved. If you recall, in Public Law 95-507, there is a provision that reserves all contracts under $10,000 for small business concerns. It is presently the Air Force's position that the aircraft spare parts breakout regulation takes precedence over Public Law 95-507 and they are, therefore, not breaking out these items.

Mr. LaFalce. Would you give me that again? What takes precedence over congressional law?

Mr. Seidman. The aircraft spare parts breakout regulation commonly known as AFR 57-6.

Mr. LaFalce. You are saying that their regulation takes precedence over the congressional mandate?

Mr. Seidman. Yes. They have taken this position. OFPP is presently involved in resolving this matter right now.

Mr. LaFalce. Let me make sure that I fully understand what it is that you are saying.

You are saying that if a small business does compete for award and is the low bidder, then it is up to the contracting officer to determine whether that small business would get it or some other business, but that if this small business can get a certificate of competency, it would have to get it?

Mr. Seidman. Yes. The contracting officer would make the initial determination as to whether or not a small firm has the capability to perform a particular contract. If the contracting officer comes up with a negative responsibility determination, under the certificate of competency law, this matter must be referred to SBA for the final determination as to that firm's responsibility. However, the way that this is being circumvented is by using a bidder prequalification system whereby the small business firms never even get the opportunity to bid.

Mr. LaFalce. So they are being precluded from even making the bid because of this prequalification system?

Mr. Seidman. Yes, sir.

Mr. LaFalce. In what percentage of the cases do you think that the prequalification system can be used? Or maybe, if you can't do it on a percentage basis, what dollar amount of money is involved in the prequalification system when you think the prequalification system is not called for?

Mr. Seidman. This prequalification system is being used for all DOD purchases of spare parts.

Mr. LaFalce. All spare parts?

Mr. Seidman. All spare parts.

Mr. LaFalce. For DOD-use prequalification?

Mr. Seidman. Yes. Aside from that, there are other prequalification systems, although they are not the primary focus today. There is one for master ship repair contracts. The Office of Federal Procurement Policy in two policy letters has promulgated a bidder prequalification system for all Federal audiovisual procurements which is a topic of a bid protest I will be discussing later in my testimony.

Mr. LaFalce. Please continue.

Mr. Seidman. The committee should be interested to know that the original aircraft manufacturer plays a significant role in the assignment of procurement method codes. Under the DOD high dollar spare parts breakout regulation the original aircraft manufacturer provides DOD with contractor-recommended codes. These contractor-recommend codes may restrict the procurement of a spare part to the original aircraft manufacturer. A large number of the contractor-recommended codes are adopted by the Defense Department as procurement-method codes. To say the least, original aircraft manufacturer participation in the assignment of procurement-method codes raises serious conflict-of-interest questions. As some SBA personnel have said, this is akin to letting a rabbit loose in a carrot patch.

There have been significant abuses in the assignment of procurement-method codes. Many items restricted on grounds that unique manufacturing capabilities are needed could be made at a significant savings to the Government by many small businesses, including those within SBA's 8(a) program for socially and economically disadvantaged firms.

Another problem facing small businesses wanting to compete for aircraft spare parts contracts is the unavailability of technical data that they need to compete. These procurements are often restricted because Government data rights are questionable or the data is inadequate for production.

Although under standard contracting clauses the Government in most cases would own the data necessary for production, many prime contractors routinely mark this data as proprietary. What we have here is a case where the Government has not taken the time to see whether the proprietary legends stamped on data by the original aircraft manufacturers are valid or spurious. It is also interesting to note how DOD responds where data is inadequate for its intended use which is the procurement of aircraft spare parts. Instead of going back to the original aircraft manufacturer and demanding that this data be corrected, which would seem to be the logical thing to do, the original aircraft manufacturer is, in fact, benefited because the common DOD practice would be to sole-source the subsequent procurements to the original manufacturer on grounds that the data package is inadequate for production purposes.

Small business is heavily dependent upon the Commerce Business Daily as a means of learning of bidding opportunities. Current regulations require agencies to publish a synopsis of their procurements at least 10 days before solicitation is issued or before an order is placed under a basic ordering agreement.

There is widespread consensus among the small business community that the Commerce Business Daily is not as effective a tool as it could be. There are several reasons why the Commerce Business Daily does not live up to its promise, but they all boil down to the same thing. Synopses frequently do not appear in enough time to be of use to potential small business users. In some cases, notably in the aircraft parts industry, some agencies don't bother to publish some of their procurements. In other cases, the agency sends its synopsis too late to meet the 10-day time standard. Since many parts procurements are by basic ordering agreement, competition is precluded after 10 days. There have been bid protests to the General Accounting Office, some of them successful, on precisely these problems. Nonetheless, the practice continues.

In other cases, an adequate synopsis is time dispatched, but it is received by the Commerce Business Daily too late for timely publication. Finally, even where the synopsis is timely published 10 days before the bids or proposals are due, it is frequently impossible for a small business concern to compete. This is especially true of aicraft parts procurements, which are placed under basic ordering agreements. Thus, there is only 10 days from the time the synopsis appears until competition is cut off. Most small businesses cannot, in this limited time period, obtain a copy of the solicitation, review it, obtain any other necessary documents, such as specifications referenced in the solicitation, and prepare and submit a timely bid or proposal.

This problem is one of long standing, and I fear that it will continue unless action is taken in two areas. First, it is necessary to give bidders more time to investigate a potential procurement and decide whether or not to submit an offer. Second, the wherewithal must be found to finance improvement of the Commerce Business Daily and to take full advantage of modern technology in disseminating procurement synopses.

It can generally be stated that large aircraft manufacturers are assemblers rather than manufacturers of aircraft. The exception to this is when business is slack in which case the original aircraft manufacturers make these parts in-house in order to retain their work force. As a result many small businesses that would benefit from the breakout of aircraft spare parts are reliant upon aircraft prime contractors for the bulk of their work. Many are reluctant to compete against large aircraft manufacturers for spare parts contracts because of their fear that their subcontracts will be cut off in retaliation.

As a result of DOD's attempt to find a way around the certificate of competency laws in purchasing aircraft spare parts original manufacturers have taken advantage of their sole-source status by charging the Government at least two to three times what they would if there were small business competition. To reemphasize again, this costs the taxpayers billions of dollars annually.

Mr. LAFALCE. This is such an important point.

Do you have any documentation which would illustrate where it is costing the Government two to three times what it should if there were small business competition? Do you have a way of justifying your claim that this is costing the taxpayers billions annually?

Mr. SEIDMAN. That is a very good question, Mr. Chairman.

Data for this is not available in most cases because if these small businesses are deprived of an opportunity to bid, you never get to see what their bids would in fact be. I have heard from many small business concerns that they could provide the Government with aircraft spare parts at a fraction of the price the Government is paying now.

There are some documented examples which show what is saved in cases like this. I believe I have one in my file. There was a recent procurement at the Oklahoma City Air Logistics Center where a small company was able to bid for an item for the first time. Apparently the incumbent aircraft manufacturer did not know that they would be facing competition.

The component involved was aircraft wing components. There were two of these. One was right hand and one was left hand. For the right-hand component, where the order quantity was 42 units, the bid price of the incumbent original aircraft manufacturer was $8,882.88 per unit. The small business awardee unit price was $4,000 per unit.

On the left-hand component, where the quantity was 19 each, the original manufacturer quoted $11,700.52 per unit, while the small business awardee quoted $4,000 per unit. This example, as well as others, documents claims from small business that they would save the Government significant amounts if they were only permitted to bid.

If you extend this savings overall of the various aircraft spare parts contracts, you come to savings in the multibillion-dollar range.

Mr. LaFalce. Please continue.

Mr. Seidman. Small business is also deprived of a multibillion-dollar market. Aside from skirting Small Business Act provisions relating to certificates of competency, such action hardly seems consistent with the Small Business Act statement that:

> It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect insofar as possible the interests of small business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts and subcontracts for property and services for the government * * * be placed with small business enterprises.

Another result of this questionable mode of purchasing aircraft spare parts is the present sorry state of our defense industrial base. In its December 31, 1980, report the House Armed Services Committee pointed out that the private sector would be unable to surge production in order to respond to a national emergency due to problems at the small subcontractor level. Aside from the billions that would be saved annually by eliminating the sole-source procurements sanctioned by the breakout regulation, the development of alternative sources of supply would significantly strengthen this Nation's capability to respond in time of crisis.

In addition to what I have in my testimony, I would like to call to the committee's attention a June 1 article in the Wall Street Journal that you might want to include in the record that discusses the problem DOD is having in obtaining aircraft spare parts, the long lead times, and how this is hurting our defense industrial base.

If you wish, you can put that in the record.

Mr. LaFalce. We will review it and reserve the right to do that.

Mr. Seidman. Additional support for much of my testimony today can be found in hearings on "Small Business Defense Procurement Problems" before the U.S. Senate Committee on Banking, Housing, and Urban Affairs on September 29, 1978. Testifying at these hearings, the Deputy Assistant Secretary of Defense for Acquisition Policy recognized the validity of the problems highlighted by earlier witnesses that day and promised to do something about them.

Despite DOD's promises, little activity to improve the system occurred after the 1978 hearings. The only tangible DOD effort to my knowledge is a proposed revision to the breakout regulation circulated by DOD in 1979. In August 1979, SBA's Office of Procurement Assistance issued a seething critique of the proposed revisions stating that they suffered from the same defects as the system already in effect. To my knowledge DOD has never responded to SBA's comments.

By the summer of 1980 the Defense Department had not yet responded to SBA's comments on proposed revisions to the breakout regulation. Along with others at SBA, I had come to the conclusion that DOD would not respond to the problem unless it was forced to do so. I came up with the idea of attacking bidder prequalification for what I perceived it to be, namely an end run around the statutorily mandated certificate of competency process. This resulted in a series of bid protests to the Comptroller General.

The first of these protests was *John Bransby Productions, Ltd.* [60 Comp. Gen.—, B-198360, 80-2 CPD ¶419] In this decision GAO held that two Office of Federal Procurement Policy policy letters setting up a system of bidder prequalification were violative of Small Business Act provisions giving SBA conclusive authority to determine the responsibility of small business concerns. In its July 31, 1980, brief to GAO the Office of Advocacy objected to the system because it deprived small business contractors of their right to have SBA make the final determination of their responsibility. Advocacy further argued that the Board's refusal to include a firm on a qualified producers list was a de facto debarment without a constitutionally guaranteed due process hearing because excluded firms would be unable to compete for any Government work in their field. The GAO decision concluded that the Chief Counsel for Advocacy "is correct and OFPP should revise their program to refer such negative determinations to the SBA under the certificate of competency program."

The *Synergistics, Inc.* protest [B-199309.2] was a direct result of SBA's response to the *Bransby* decision. Synergistics was one of the 300 small business contractors that were previously unable to bid on Federal audiovisual contracts because of their failure to prequalify. At Synergistics' request made in accordance with the *Bransby* decision, the Interagency Audiovisual Review Board referred the question of Synergistics' responsibility to SBA for certificate of competency purposes. SBA refused the referral on grounds that the Small Business Act limits SBA's authority under its certificate of competency program to cases where a specific Government contract is involved. They claimed they lacked jurisdiction to review failures to prequalify since no specific contract was involved. This resulted in the Synergistics protest. The Office of Advocacy entered an appearance as an interested party in this protest.

I just obtained a copy of OFPP's agency report yesterday. They state that they feel that certificate of competency review is unnecessary at the prequalification stage because a small business always has the opportunity of trying to prequalify again with the Interagency Audiovisual Review Board should it be unsuccessful in attempting to get on the qualified producers list.

I will not venture an opinion as to SBA's authority to review negative prequalification determinations under its certificate of competency program since this is at issue in the pending *Synergistics* case. However, I am of the firm belief that an additional review of agency responsibility determinations at the bidder prequalification stage is undesirable from a procurement policy standpoint.

Mr. LAFALCE. If I could interrupt, I am a little confused. Let's clarify this. Did SBA take the position that they could not get involved because prequalification does not involve a specific contract?

Mr. SEIDMAN. Yes.

Mr. LAFALCE. Am I correct in inferring that it was the opinion of the Office of Advocacy that SBA had a legal right to get involved?

Mr. SEIDMAN. We never expressed an opinion on that in our brief.

Mr. LAFALCE. You say you entered an appearance as an interested party. If you entered an appearance as an interested party, you had to express some interest. You had to express a position.

Mr. SEIDMAN. Since the case is still pending, I cannot express an opinion as to the merits of the case at this time. But I can tell you what Advocacy's position was. It was that bidder prequalification per se violates the certificate of competency laws.

Mr. LAFALCE. I see.

Mr. SEIDMAN. Also, as I go on and state in my statement, we feel as a matter of procurement policy, it is undesirable to have a small firm go through a certificate of competence review twice, once at the prequalification stage, and again when they are in line for a particular contract.

Mr. LAFALCE. We will go into this more in the question and answer period.

I would ask you to sum up the rest of your remarks within 2 minutes so that we can briefly adjourn and vote on an amendment that is pending.

Mr. SEIDMAN. On May 6, 1981, Advocacy submitted its comments to GAO on perhaps the most important protest in this area, the *Honeycomb* protest. Advocacy's comments are perhaps the most far-reaching legal attack against the breakout regulation ever filed. More specifically, citing *Bransby* as authority, Advocacy argued that bidder prequalification system set up by the breakout regulation is violative of the Small Business Act provisions giving small firms the right to have SBA make the final determination as to their responsibility. An additional argument was made that it also constituted a de facto debarment. A decision has not yet been issued in this case. However it is interesting to note that the Air Force has taken the position that they want to moot this case, give Honeycomb everything they want, and avoid a decision of that case on the merits.

It is clear from my statement that purchasing from small business does not cost more and the use of restrictive procurement methods that eliminates small business competition for aircraft parts has resulted in DOD wasting billions annually. It is also clear that the maintenance of small business sources of supply is necessary for a healthy defense industrial base.

I am hopeful that the GAO decision in Honeycomb will result in the breakout regulation being declared violative of Small Business Act provisions relating to certificates of competency. However, if GAO decides the case on a more limited basis or rules against

Advocacy, I am of the opinion that Congress should enact a clarifying amendment to the Small Business Act that would eliminate bidder prequalification as a device used by agencies to avoid the certificate of competency process. Bidder prequalification is not limited to aircraft parts procurements, but it is also utilized when the Federal Government contracts for ship overhaul and repair and for the production of films and videotapes. It is clear the elimination of bidder prequalification as a means for procuring agencies to void the certificate of competency process would save the taxpayers billions of dollars annually, increase small business' share of Federal procurements and lead to a healthier defense industrial base. I am also of the opinion that legislation is needed to give bidders adequate time to respond to synopses published in the Commerce Business Daily.

This concludes my statement and after the recess I would be happy to comment on any questions you may have.

[Mr. Seidman's prepared statement follows:]

PREPARED STATEMENT OF PAUL J. SEIDMAN, ATTORNEY AT LAW, FORMER ASSISTANT CHIEF COUNSEL FOR PROCUREMENT IN SBA OFFICE OF ADVOCACY

My name is Paul J. Seidman. I am an attorney in private practice in Washington, D.C., working primarily in the area of Government contracts and administrative law. Up until May 30 of this year I served as Assistant Chief Counsel for Procurement in the Office of the Chief Counsel for Advocacy at the Small Business Administration.

I very much appreciate the Committee's invitation to testify today. My topic concerns a matter that should be of some concern at a time when we are entering a period of increased defense spending. More specifically that is the Defense Department's spending two to three times what it should on aircraft spare parts by freezing small business out of these procurements. This results in billions of dollars of waste annually and an unnecessary erosion of our defense industrial base.

The large premium paid by DoD for aircraft spare parts as a result of eliminating small business competition runs counter to the commonly held view that purchasing from small firms costs more. It is worthy to note that this "small business costs more" theory was most recently re-echoed by Deputy Secretary of Defense Frank C. Carlucci in his April 29, 1981, testimony before the Subcommittee on Readiness of the House Armed Services Committee. More specifically Mr. Carlucci stated that DoD must be exempted from socioeconomic requirements such as those relating to small business if it is to meet its procurement objectives economically.

The purpose of my testimony today is in large part to rebut this "small business costs more" theory and to show how by eliminating unnecessary restrictions on competition and making better use of the small business sector of the defense industrial base DoD can save large dollar amounts and increase this country's level of defense preparedness. I will discuss DoD's motivation for the hybrid procurement method used to screen-out small firms, how it works, its cost to the taxpayer and how it has contributed to the sorry state of our defense industrial base. I will then review recent legal attacks on the system and the need for remedial legislation should these attacks prove unsuccessful.

WHY DOD DOES NOT WANT TO PURCHASE AIRCRAFT SPARE PARTS FROM SMALL FIRMS

Stated reasons—critical nature of parts

The reason stated by procurement officials for not purchasing aircraft spare parts from small concerns is the critical nature of these parts. They invariably raise the specter of airplanes falling out of the sky. However, to my knowledge they have never been able to point to a specific situation where an aircraft has fallen out of the sky as a result of shoddy parts provided by a small business concern.

Unstated reasons—"Cover Your Posterior" and the revolving door

From my observation I believe that there may be some unstated reasons for DoD not wanting to purchase aircraft spare parts from small firms. To use a common expression the first of these could be called "cover your posterior." Contracting officers feel that they will look bad if they award to a small business against the advice of their technical people and that small business does not produce. However, they feel that they won't look bad if they award to a large aircraft manufacturer that doesn't produce. After all, a large aircraft manufacturer is perceived as having massive resources that can deal with any problem that could arise. If they don't produce how could the contracting officer possibly be faulted?

Another factor that I believe leads to the proclivity of DoD officials to place these contracts with large firms is the revolving door between DoD and large defense contractors. Military officials have an early retirement age and are generally looking for something to do when their military careers come to an end. Large defense contractors are the major source of such opportunities. Hence procuring officials do not want to prejudice their chances for post-government employment by doing anything that would eliminate the sole source status of large aircraft manufacturers in this lucrative market.

HOW IT IS DONE—BIDDER PREQUALIFICATION, UNAVAILABILITY OF TECHNICAL DATA, UNTIMELY COMMERCE BUSINESS DAILY NOTIFICATION, ECONOMIC DURESS BY ORIGINAL AIRCRAFT MANUFACTURERS

Bidder prequalification as a means to screen out small firms

The certificate of competency program—in general.—In order for a firm to be awarded a Government contract a determination must be made that it is responsible. Responsibility can be defined as the ability of a firm to perform a particular contract. As a general rule the contracting officer has the authority to make the final determination as to a firm's responsibility. However, under the Small Business Act small business concerns have the right to have SBA make the final determination as to their responsibility, if they would be awarded a particular contract if it were not for a contracting officer's negative responsibility determination. This review is conducted under SBA's Certificate of Competency program.

The enactment of certificate of competency legislation was a result of the systematic exclusion of small business from defense contracts during World War II. Testimony in 1942 hearings before the Senate Banking and Currency Committee showed that contracting officers often refused to make awards to small business concerns on grounds that they were not responsible. They would subsequently discover that the same small businesses were performing the work as subcontractors to the large firms awarded the contract in question. The War Production Board also called for the enactment of legislation to correct the tendency of contracting officers to underestimate the capabilities of small business concerns and the resulting negative impact on the industrial base.[1]

The use of bidder prequalification to deprive small firms of the right to apply for a COC.—The current fiasco in aircraft spare parts procurement results from an artifice used by DoD that deprives small business concerns of their right to have SBA make the final determination as to their responsibility. This is done by a system of bidder prequalification. The concept is fairly simple. If a small business is precluded from bidding by a bidder prequalification system the need to refer the question of their responsibility to SBA for Certificate of Competency purposes never arises. It is DoD's position that a small business is only entitled to a certificate of competency review if it would be awarded a particular contract if it were not for the contracting officer's negative responsibility determination. If small business is precluded from bidding this stage of the procurement process is never reached.[2]

The way that this is done is by the assignment of procurement method codes (PMC's) that restrict the award of contracts for spare parts to sources that have prequalified. Although my primary focus today is aircraft spare parts it should be noted that PMC coding applies to spare part purchases for all defense systems and equipment including Navy ships and Army tanks. The common theme running through the PMCs is that procurements should be restricted to prequalified sources on grounds that it is necessary to assure the reliability of a part, that unique manufacturing capabilities are needed, that adequate data to produce the part is not available or there is a question as to whether or not the Government has the right to use the data necessary to produce the item in question.

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[1] Senate hearings on S. 2250, 77th Congress 2d session.

[2] The use of bidder prequalification by procuring agencies to avoid the certificate of competency process is not limited to DoD purchases of aircraft spare parts. DoD also pays more and small businesses are deprived of contracting opportunities as a result of a similar system of awarding contracts for ship overhaul and repair. Such system has recently been attacked at GAO in Ram Enterprises, Inc., B-201820. A bidder prequalification for all federal film and audiovisual procurements imposed by OFPP Policy Letters 78-5 and 79-4 deprived more than 300 small business concerns of their right to bid without a certificate of competency review before it was at least in part successfully challenged by the Chief Counsel for Advocacy in John Bransby Productions, Ltd. discussed at pp. 9-10 infra.

Large aircraft manufacturer participation in assignment of restrictive procurement method codes.—The Committee should be interested to know that the original aircraft manufacturer plays a significant role in the assignment of PMCs. Under the DoD High Dollar Spare Parts Breakout Regulation the original aircraft manufacturer provides DoD with contractor recommended codes (CRC's). These CRCs may restrict the procurement of a spare part to the original aircraft manufacturer. A large number of the CRCs are adopted by the Defense Department as PMCs. To say the least original aircraft manufacturer participation in the assignment of PMCs raises serious conflict of interest questions. As some SBA personnel have said, this is like letting a rabbit loose in a carrot patch.

Abuses in assignment of restrictive procurement method codes.—There have been significant abuses in the assignment of procurement method codes. Many items restricted on grounds that unique manufacturing capabilities are needed could be made at a significant savings to the Government by many small businesses including those within SBA's section 8(a) program for socially and economically disadvantaged firms.

Unavailability of technical data needed to compete

One area of continuing controversy especially in the aircraft spare parts industry, is the question of data rights. Frequently, small businesses seeking to promote the breakout of spare parts procurement are told that "an adequate data package doesn't exist." Sometimes, this seems to be the case because no one in the agency involved has actually sat down to see what data the Government has and what right the Government has to use that data. It may be, that by assembling data in the possession of the Government, which it has the full right to use, items which are now procured on a restrictive basis could be broken out for competition. This requires a much more diligent review of the Government's resources, however, than is ordinarily performed by the military agencies.

Sometimes, agencies don't seem to know for certain what rights they do have in the data process. Each year, the Government spends millions of dollars on research and development contracts. Standard contract clauses provide, of course, that when the Government pays for R & D work, it gets the right to use the data generated by the contractor. Some contractors, however, seem to have a practice of placing restrictive legends on all their data, whether or not they have a contractual right to do so. Evidently the Government agencies should have an easy way of ascertaining what data rights it has purchased. Although the Government keeps careful track of every typewriter and desk it owns, I am unaware of any central repository for data rights in the Department of Defense or any of the military services. Thus, DoD is frequently unable to determine whether or not a restrictive legend placed upon a blueprint or some other technical data is valid or spurious.

The final irony comes where a data package does exist and it is used for procurement. Sometimes, the data proves inadequate for its intended use—the manufacture of a component. When that happens, instead of going back to the company that provided the faulty data and insisting on its correction, the Government sometimes withdraws the part from competitive procurement. Thus, DoD actually rewards the company which provides faulty data by restoring it to a sole source position instead of penalizing that company for charging the Government for a useless item.

Untimely commerce business daily notification of spare parts procurements

Government contracting is nationwide in scope, and most small businesses unlike their larger counterparts, cannot afford to maintain a nationwide sales force. Therefore, small business is heavily dependent upon the Commerce Business Daily as a means of learning of bidding opportunities. Current regulations require agencies to publish a synopsis of their procurements at least ten days before a solicitation is issued, or before an order is placed under a basic ordering agreement.

There is widespread consensus among the small business community that the Commerce Business Daily is not as effective a tool as it could be. There are several reasons why the Commerce Business Daily does not live up to its promise, but they all boil down to the same thing. Synopses frequently do not appear in enough time to be of use to potential small business users. In some cases, notably in the aircraft parts industry, some agencies don't bother to publish some of their procurements. In other cases, the agency sends its synopsis too late to meet the ten-day time standard. Since many parts procurements are by basic ordering agreement, competition is precluded after ten days. There have been bid protests to the General Accounting Office, some of them successful, on precisely these problems. Nonetheless, the practice continues.

In other cases, an adequate synopsis is timely dispatched, but it is received by the Commerce Business Daily too late for timely publication. Finally, even where the synopsis is timely published 10 days before the bids or proposals are due, it is frequenty impossible for a small business concern to compete. This is especially true of aircraft parts procurements, which are placed under basic ordering agreements. Thus, there is only ten days from the time the synopsis appears until competition is cut off. Most small businesses cannot, in this time period, obtain a copy of the solicitation, review it, obtain any other necessary documents, such as specifications referenced in the solicitation, and prepare and submit a timely bid or proposal.

To the extent that modern technology might help speed up the process, it is important to realize that the Commerce Department is subject to budgetary constraints which prevent it from implementing the best and most cost-effective techniques for accomplishing its task. The subscription fees paid by small businesses throughout the country ($105.00 per year priority mail service) are not available to the Department of Commerce for improvement of the service. I believe that many small businesses would gladly pay much more than their current subscription fees in order to get a truly useful publication.

The problem is one of long-standing and I fear that it will continue unless action is taken in two areas. First, it is necessary to give bidders more time to investigate a potential procurement and decide whether or not to submit an offer. Secondly, the wherewithal must be found to finance improvement of the Commerce Business Daily and to take full advantage of modern technology is disseminating procurement synopses.

Economic duress applied by original aircraft manufacturer

It can generally be stated that large aircraft manufacturers are assemblers rather than manufacturers of aircraft. As a general rule they subcontract out the individual parts, often to small firms, and merely put them together. The exception to this is when business is slack in which case the original aircraft manufacturers make these parts in-house in order to retain their work force. As a result many small businesses that would benefit from the break-out of aircraft spare parts are reliant upon large aircraft prime contractors for the bulk of their work. Many are reluctant to compete against large aircraft manufacturers for spare parts contracts because of their fear that their subcontracts will be cut-off in retaliation.

THE RESULT—INCREASED COSTS, DIMINISHED SMALL BUSINESS OPPORTUNITIES AND EROSION OF DEFENSE INDUSTRIAL BASE

As a result of DoD's attempt to find a way around the Certificate of Competency laws in purchasing aircraft spare parts original manufacturers have taken advantage of their sole source status by charging the Government at least two to three times what they would if there were small business competition. This costs the taxpayers billions annually.

Small business is also deprived of a multibillion dollar market. Aside from skirting Small Business Act provision relating to Certificates of Competency such action hardly seems consistent with the Small Business Act statement that "It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as possible, the interests of small-business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts and subcontracts for property and services for the Government. . . be placed with small-business enterprises." [3] Another result of this questionable mode of purchasing aircraft spare parts is the present sorry state of our defense industry base. In December 31, 1980 report entitled "The Ailing Defense Industrial Base: Unready for Crisis" the Defense Industrial Base Panel of the House Armed Services Committee pointed out that the private sector would be unable to surge production in order to respond to a national emergency due to problems at the small subcontractor level. Aside from the billions that would be saved annually by eliminating the sole source procurements sanctioned by the Breakout Regulation, the development of alternative sources of supply would significantly strengthen this nation's capability to respond in time of crisis.

RECENT ATTACKS ON THE SYSTEM

1978 hearings before Senate Committee on Banking, Housing, and Urban Affairs

Additional support for much of my testimony today can be found in hearings on "Small Business Defense Procurement Problems" before the United States Senate Committee on Banking, Housing, and Urban Affairs on September 29, 1978. Testifying at these hearings the Deputy Secretary of Defense for Acquisition Policy recognized the validity of the problems highlighted by earlier witnesses and promised as follows:

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[3] 15 U.S.C. § 631.

"We're going to put a maximum emphasis on the spare parts break-out program because we believe it has great potential, and we don't think it has been exploited nearly enough * * *.

* * * We will put forth a maximum effort in that program because we think it has a pay-off." [Hearings, p. 168].

Proposed DOD revisions to the break-out regulation and SBA's Office of Procurement Assistance comments thereon

Despite DOD's promises, little activity to improve the system occurred after the 1978 hearings. The only tangible DOD effort to my knowledge is a proposed revision to the break-out regulation circulated by DOD in 1979. In August, 1979 SBA's Office of Procurement Assistance issued a seething critique of the proposed revisions stating that they suffered from the same defects as the system already in effect. To my knowledge DOD has never responded to SBA's comments.

Recent attempts to have bidder prequalification declared invalid by GAO—the Bransby, Synergistics and Honeycomb bid protests

By the summer of 1980 the Defense Department had not yet responded to SBA's comments on proposed revisions to the Breakout Regulation. Along with others at SBA I had come to the conclusion that DOD would not respond to the problem unless it was forced to do so. I came up with the idea of attacking bidder prequalification for which I perceived it to be, namely an end-run around the statutorily mandated Certificate of Competency process. This resulted in a series of bid protests to the Comptroller General.

The first of these protests was John Bransby Productions, Ltd. 60 Comp. Gen. —, B-198360, 80-2 CPD ¶419. December 9, 1980. In this decision GAO held that two Office of Federal Procurement Policy (OFPP) policy letters setting up a system of bidder prequalification were violative of Small Business Act provision giving SBA conclusive authority to determine the responsibility of small business concerns. The procurement rules found to be defective were OFPP Policy Letters 78-5 and 79-4 which established a uniform system for procuring motion picture and videotape productions. Under these policy letters all firms interested in producing motion picture of videotape productions for the Government were required to submit sample films or videotapes to an Interagency Audiovisual Review Board. The Board evaluated the quality of these submittals and if they met required standards the submitting firm was put on a qualified film producers list (QFPL) or qualified videotape producers list (QVPL). Only contractors on a QFPL or QVPL were eligible to bid on Federal film or videotape procurements.

In its July 31, 1980 brief to GAO the Office of Advocacy objected to the system because it deprived small business contractors of their right to have SBA make the final determination of their responsibility under its Certificate of Competency program. Advocacy further argued that the Board's refusal to include a firm on a QFPL or QVPL was a de facto debarment without a constitutionally-guaranteed due process hearing because excluded firms would be unable to compete for any Government work in their field. The GAO decision concluded that the Chief Counsel for Advocacy "is correct and OFPP should revise their program to refer such negative determinations to the SBA under the Certificate of Competency program."

The Synergistics, Inc. protest GAO No. B-199309.2 was a direct result of SBA's rsponse to the Bransby decision. Synergistics was one of the three hundred small business contractors that were previously unable to bid on Federal audiovisual contractors because of their failure to prequalify. At Synergistics's request made in accordance with the Bransby decision the Interagency Audiovisual Review Board referred the question of Synergistics responsibility to SBA for Certificate of Competency purposes. SBA refused the referral on grounds that the Small Business Act limits SBA's authority under its Certificate of Competency program to cases where a specific Government contract is involved and that they lacked jurisdiction to review failures to prequalify since no specific contract was involved. This resulted in the Synergistics protest The Office of Advocacy entered an appearance as an interested party in this protest. However, the matter has not yet been briefed.

I will not venture an opinion as to SBA's authority to review negative prequalification determination under its certificate of competency program since this is at issue in the pending Synergistics case. However I am of the firm belief that an additional review of agency responsibility determinations at the bidder prequalification stage is undesirable from a procurement policy standpoint. Many firms do not assert their right to a Certificate of Competency review even when they are in line for a particular contract because the cost to them of obtaining such a review exceeds the expected profit from the subject procurement. If almost half of the firms entitled to a COC review exceeds the expected profit from the subject procurement. If almost half of the firms entitled to a COC review do not assert such rights when they are in line for a particular contract how many would go to the expense for merely the opportunity to submit a bid? One would also think that the Government could better use its limited resources by not making responsiblity determinations of contractors who may be in line for a contract. It also makes sense to link responsibility determinations with a particular procurement because even though a small business contractor may not have the capability to deliver on a contract for ten million widgets he may have the capability to deliver on one for one million widgets.

On May 6, 1981, Advocacy submitted its comments to GAO on a bid protest brought by Honeycomb Company of America, GAO B-2004100. Advocacy's comments are perhaps the most far-reaching legal attack against the Breakout Regulation ever filed. More specifically citing the Bransby decision as authority Advocacy argued that the bidder prequalification system set up by the Breakout Regulation is violative of Small Business Act provisions giving small businesses the right to have SBA make the final determination as to their responsibility. An additional argument was that the exclusion of a firm from the qualified producers list set up by the Breakout Regulation without notice and an opportunity to be heard constitutes a de facto debarment that violates constitutional guarantees of due process of law. Advocacy further argued that the DoD is barred by the Defense Acquisition Regulation from imposing a bidder prequalification system and that the procurement method codes set forth in said regulation are unduly restrictive of competition. A decision has not yet been issued in this case.

CONCLUSION

It is clear from the above that purchasing from small business does not cost more and the use of restrictive procurement methods that eliminate small business competition for aircraft spare parts has resulted in DoD wasting billions of dollars of the taxpayers' money. It is also clear that the maintenance of small business sources of supply is necessary for a healthy defense industrial base.

I am hopeful that the GAO decision in the Honeycomb case will result in the Breakout Regulation being declared violative of Small Business Act provisions relating to Certificates of Competency. However, if GAO decides the case on a more limited basis or rules against advocacy I am of the opinion that Congress should enact a clarifying amendment to the Small Business Act that would eliminate bidder prequalification as a device used by agencies to avoid the Certificate of Competency process. As previously noted bidder prequalification is not limited to aircraft spare parts procurements but also is utilized when the federal government contracts for ship overhaul and repair and the production of films and videotapes. It is clear that the elimination of bidder prequalification as a means for procuring agencies to avoid the Certificate of Competency process would save the taxpayers billions of dollars annually, increase small business share of Federal procurements and lead to a healthier defense industrial base. I am also of the opinion that legislation is needed to give bidders adequate time to respond to synopses published in the Commerce Business Daily.

This concludes my statement. If you have any questions I would be happy to answer them.

Mr. LAFALCE. Thank you. I am sure the entire panel has many questions.

All of us will return in approximately 15 minutes to begin questioning of you.

[Recess.]

Mr. LAFALCE. The subcommittee will resume its hearings.

Mr. SEIDMAN. Could I have the opportunity to correct a misstatement that I made?

Mr. LAFALCE. You certainly may.

Mr. SEIDMAN. Before I said that all spare parts contracts were subject to bidder prequalification. What I meant is that all were subject to the high dollar spare parts breakout regulation. There is one coding in that regulation, a G coding, where items are open for open competition. However, only 8 percent of all parts procurements are coded G, so 92 percent are subject to a system of prequalification.

Mr. LaFalce. This is a bit complicated. Let me ask you to explain more clearly what you mean by breakout and how the prequalification system differs somewhat from the breakout system or how it is a part of the whole process?

Mr. Seidman. One problem is that the so-called breakout regulation is misnamed. The title of the regulation is "High Dollar Spare Parts Breakout Program." But all this document does is provide methods for restricting procurements primarily to the original source. I think that misnomer is misleading. This is not a breakout regulation. If anything, it can be characterized as an antibreakout regulation.

Mr. LaFalce. Is there some provision within the law which encourages true breakouts as opposed to the break-ins?

Mr. Seidman. It was one of the recommendations of the White House Conference on Small Business, as you recall, that requirements be broken out. The argument that Advocacy has made before is that the so called breakout regulation is illegal because the bidder prequalification system that it embodies is violative of Small Business Act provisions relating to certificates of competency. Advocacy has also argued that the regulation's disqualifying firms without notice and an opportunity to be heard violates constitutional due process. There is also a provision in the defense acquisition——

Mr. LaFalce. What violates constitutional due process?

Mr. Seidman. To expand on that, if you deprive a firm of the opportunity to bid on all contracts, you are depriving them of a property right. Without a hearing that would be without due process of law.

We made that argument based on a case called *Myers & Myers.*[1] That is a Federal court case.

Mr. LaFalce. Is that covered in your testimony?

Mr. Seidman. In summary form. If you look at our brief on the *Bransby* protest or on the *Honeycomb* protest, we go into that in greater detail.

Mr. LaFalce. You mentioned your comments in the *Honeycomb* case but you don't mention anything in the *Myers* case.

Which is the most comprehensive treatment of the unconstitutionality of the prequalification system because it violates property rights to bid? Would that be your brief in the *Honeycomb* case?

Mr. Seidman. We say the same thing in both.

Mr. LaFalce. Does the *Honeycomb* case also—is the brief in the *Honeycomb* case, does it advance the argument of the violation of Federal law by the prequalification system?

Mr. Seidman. Yes.

Mr. LaFalce. Then I think it is imperative that I review the Office of Advocacy's brief in at least the *Honeycomb* case.

Do you have a spare copy here?

Mr. Seidman. That could be provided.

Mr. LaFalce. Fine.

I have many, many more questions. I see that Congresswoman Snowe is back. I would now defer to her if she would like to proceed.

Mrs. Snowe. Thank you, Mr. Chairman.

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[1] *Myers & Myers, Inc.* v. *U.S. Postal Service*, 527 F. 2d 1252 (2d Cir. 1975).

First of all, what is the procedure for prequalification of spare parts? Is there an established procedure?

Mr. SEIDMAN. A potential contractor would provide samples to DOD. DOD would evaluate the samples and determine whether or not a contractor has the capability of producing the parts in question.

Mrs. SNOWE. The only appeal process is to the GAO, is that correct, or is there any appeals process if the small business is turned down?

Mr. SEIDMAN. There is no appeals process. We are arguing that the absence of an appeals process violates Small Business Act provisions relating to certificates of competency as well as deprives small businesses of a property right, more specifically their right to bid, without due process of law.

Mrs. SNOWE. Getting back to the bidder prequalification process, what gave DOD the authority to develop that procedure? Was it force and effect of the law Congress passed, or was it a development through regulations?

Mr. SEIDMAN. It is very interesting. Another argument in the *Honeycomb* protest is that DOD has no authority because there is a provision in the Defense Acquisition Regulation that states that no subsidiary regulation can contain a provision that is inconsistent with the Defense Acquisition Regulation. The Defense Acquisition Regulation provides that if a small business is found to be nonresponsible, the matter must be referred to SBA for certificate of competency purposes. So we argue that there is no such authority.

Mrs. SNOWE. I see. I think that is some area that the committee can explore further.

Mr. SEIDMAN. I don't know whether GAO will explore it or not right now. They may decide the *Honeycomb* case on more limited grounds, although I hope that they do not.

Mrs. SNOWE. Further, on the technical data that seems to be limited for the small business' benefit, why is the data—who classifies the data as proprietary, and why?

Apparently the Department of Defense does not classify it as proprietary in some instances.

Mr. SEIDMAN. DOD generally accepts the classification made by the original aircraft manufacturer. What they should do is determine whether the rights in data claimed by the original manufacturer are spurious or whether they are in fact entitled to these rights.

It is very interesting.

The Government recently set up a system to track all furniture, desks, typewriters and so on. Yet there is no repository to determine whether or not the Government has data rights in a particular item. Perhaps there should be.

Mrs. SNOWE. In other words, the aircraft manufacturer submits the data to the Department of Defense. They can determine whether or not they want to release that data for the benefit of small businesses to contract for the parts, is that correct?

Mr. SEIDMAN. Practically speaking, yes. It should be noted that even if the data is owned by the original aircraft manufacturer, the Government, under its eminent domain authority, can take this data and use it for procurement purposes, leaving the original prime contractor a remedy in the court of claims. In fact, there was a recent GAO decision indicating that the lack of ownership of data rights was not grounds for sale sourcing a particular procurement.

Mr. LAFALCE. Do you think there is a general bias among procurement officials in the Department of Defense against small businesses, from your experience in the Office of Advocacy?

Mr. SEIDMAN. Yes. I think they underestimate the capability of small business firms. This is why certificate of competency legislation was enacted in the first place. During World War II, contracting officers very often found that small businesses were incapable—or they felt they were incapable of performing certain contracts and found them nonresponsible, only to later find that the same small businesses were producing the items in question as subcontractors to the large primes.

Mrs. SNOWE. One final question: Last night on CBS, as you know they have been doing a serial documentary on the defense industry. They mentioned the F-18's. They said there are 20,000 companies that manufacture parts for the F-18. Would you more or less say that that is pretty much average in terms of the numbers of companies involved in the manufacturing of spare parts?

Mr. SEIDMAN. I do not know. I really cannot answer that.

I would gather that most of the small businesses involved in that are involved as subcontractors rather than prime contractors.

Mrs. SNOWE. Thank you, Mr. Chairman.

Mr. LAFALCE. Do you think it would be less expensive to the Government if they were involved as prime contractors as opposed to subcontractors?

Mr. SEIDMAN. Very definitely so.

Mr. LAFALCE. Why is that?

Mr. SEIDMAN. I think you have a situation where the large primes are taking advantage of their sole source status. Without competition, prices are invariably higher. Also, even if that were not the case, each time you throw in a middle man, the middle man wants some compensation for his services.

Mr. LAFALCE. Mr. Smith?

Mr. CHRISTOPHER SMITH. Thank you, Mr. Chairman. I just had a couple of questions.

Like the chairman, I was concerned as to how you calculated the two or three times savings that would accrue if we went to more small businesses being the prime contractors, as you mentioned in your opening statement.

You also had it later on in the testimony. Has there been any study that you know of that would do this? That would indicate this, I should say?

Mr. SEIDMAN. There is none.

One thing I think I failed to mention before: The Small Business Administration Procurement Assistance Division now has three breakout procurement center representatives around the country. They are involved in breaking contracts out for small business competition. I understand that they have been so busy trying to break things out that they have been unable to keep track of the resulting savings. However, I would recommend asking SBA some questions as to the savings. They would be in a far better position to generate such data than I am.

Mr. CHRISTOPHER SMITH. It would seem to me any major push to try to reform the methodology that is employed would need that kind of documentation; otherwise I do not think it would go very far.

Are you aware of any of the prime contractors utilizing the kind of thing we saw that Mr. Ford went into in some depth with regard to the Gould Ocean Systems Division?

With regard to spare parts, any of the other things you referred to?

Mr. SEIDMAN. The thrust of my testimony today is that they are anxious to have small businesses as subcontractors. They just are reluctant to have small businesses compete against them as prime contractors.

Mr. CHRISTOPHER SMITH. I would also say, too, that many of the small businesses do that because they have a hard time and difficulty with the paperwork.

That was indicated with that filmstrip. I heard this in my own district. They do not feel they can compete adequately. Until that level of understanding is raised and they are shown—or it is shown to them they can do it, I think, the subcontractor level will be where most of the small businesses reside.

Mr. SEIDMAN. Perhaps they should seek the help of SBA's breakout procurement center representatives in that area. SBA is trying to——

Mr. CHRISTOPHER SMITH. How many people are working in the breakout area?

Mr. SEIDMAN. There are three procurement center representatives.

Mr. CHRISTOPHER SMITH. Three people?

Mr. SEIDMAN. Right. Then in Washington you have one person working on this also.

Mr. CHRISTOPHER SMITH. It doesn't seem like too many people.

Mr. SEIDMAN. No; it is not.

Mr. CHRISTOPHER SMITH. When you talk about the vast numbers of small businesses.

Mr. SEIDMAN. I agree. I think great results could be achieved by increasing the amount of effort in this particular program.

Mr. CHRISTOPHER SMITH. One last question. How many prequalification systems are there?

You indicated, or referred to a few. Is there a listing that can be obtained?

Mr. SEIDMAN. I know of three. I really do not know of any more. Perhaps there are.

Mr. CHRISTOPHER SMITH. Thank you.

Mr. LAFALCE. Mr. Weber?

Mr. ED WEBER. It just occurred to me, Mr. Seidman, if small business contracting would save billions of dollars in defense, maybe Mr. Carlucci's statement is correct that we do not need a regulation; we just need to enforce free market economics and make the sale of that idea to the Defense Department.

In other words, if this is such an advantage, why are they not using it? Isn't that what we have to sell to the Defense Department?

Mr. SEIDMAN. Could you restate that, please?

Mr. Ed Weber. Well, just a comment in passing that Mr. Carlucci, if we believe in free market economics to solve our problems as most of us or many of us do, might be right that we do not need this kind of a regulation requiring a small business set-aside.

We just need to encourage the Department of Defense to recognize the fact that there are tremendous cost savings if they would utilize the availability of small business.

Mr. **Seidman**. That could be argued, but you know many would disagree with that.

Mr. **Ed Weber**. I do not have any further questions.

Mr. **LaFalce**. Thank you. I do.

Mr. Seidman, does SBA—you are no longer with them—do they have various instances where breakouts resulting from SBA intervention have resulted in substantial savings?

Mr. **Seidman**. Yes.

Mr. **LaFalce**. About how many instances would you say?

Mr. **Seidman**. The breakout PCR's have been involved in many instances. They would be in a far better position to give you the specific details than I would.

Mr. **LaFalce**. I would be very interested in receiving from SBA all those instances that they have in their possession readily that could indicate when they intervene to bring about breakouts and what savings were.

What about the utilization of the reg flex law? Is that something that the various Federal agencies, GSA, DOD, SBA, et cetera, could all use to better advantage with respect to Government procurement opportunities?

Mr. **Seidman**. Briefly stated, the Regulatory Flexibility Act is applicable to all regulations where notice and comment rulemaking is required by the Administrative Procedures Act or some other law. There is an exception in the Administrative Procedures Act for Federal procurement. However, at Advocacy we took the position that there is another law, the OFPP statute, which requires OFPP to promulgate rules mandating notice and comment rulemaking in the procurement area. I prepared a memo on that while I was at Advocacy. Milt Stewart—former Chief Counsel for Advocacy—and I met with Karen Williams who was then Administrator of OFPP on this some time in December 1980. Since the change in administration nothing has happened concerning this. DOD has taken the position that it is not subject to reg flex because the type of rules that it is involved with are not those that the act was intended to cover.

Advocacy sent them a letter asking them to clarify their position on this matter. At the time I left, no response was received.

Mr. **LaFalce**. I certainly also will want, before the next hearing on Tuesday, copies of your memorandum from SBA and of the letter from Advocacy to DOD.

Mr. **Seidman**. Perhaps it might be more——

Mr. **LaFalce**. I am asking the SBA to give that to me.

One thing that concerns me too is the adherence to the congressional mandate to separate the functions and responsibilities of the Office of Advocacy from the Administrator of SBA.

Congressional law makes the chief advocate reportable directly to and responsible to the President of the United States as opposed to the Administrator of SBA. There is a certain independence there. The advocate must be confirmed by the Senate, unlike any other official with SBA other than the Administrator.

Do you have any views about the necessity for a certain degree of independence on the part of the Office of Advocacy?

Mr. **SEIDMAN**. Yes; I do. I think that the Office of Advocacy should be free to state views that are different than those of the SBA Administrator and the administration.

The Administration, in arriving at its policy decisions, has to take into account various groups. The job of the Chief Counsel for Advocacy is just to represent small business. In any administration the views of small business, or the best interests of small business, will be different than administration policy in general. The function of the Chief Counsel for Advocacy should be to state the views or the best interests of small business rather than merely parroting administration policy or that of SBA. The role should be to represent small business rather than to represent SBA, and I would also like to note that at times problems are caused for small business by the SBA. Advocacy should be free to try to correct those situations as it is to go in and correct situations in other agencies.

Mr. **LAFALCE**. Let me ask you two questions: As a former employee who could now testify freely, do you think that there was a lack of freedom either under Mr. Weaver or under Mr. Cardenas or under President Carter or under President Reagan for the Office of Advocacy to truly advocate the point of view of the small business when there was a difference of opinion between the Office of Advocacy and either the Administrator or the Administration position?

Mr. **SEIDMAN**. The problem came in when we no longer had a Chief Counsel and just Acting Chief Counsels. I hope that this is just a temporary problem, and when a new chief counsel is appointed he will, in fact, be independent. We were required to clear any contact with the Hill or any trade associations in advance with the Administrator's office. They set up a clearance procedure for that.

Mr. **LAFALCE**. When was this clearance procedure established?

Mr. **SEIDMAN**. I believe it was some time in February of this year. Administrator Cardenas sent a memo to all SBA employees.

Mr. **LAFALCE**. Saying what?

Mr. **SEIDMAN**. Stating that before meeting with anyone on the Hill or speaking to anyone in a trade association, you had to clear it with his office.

Mr. **LAFALCE**. I want to have a copy of that memo on my desk within an hour after the conclusion of today's hearings. I say that to my counsel because I will have no inhibitions on the part of any individual within SBA from talking with me, as a Member of Congress, or with any other Member of Congress at any time they so desire.

You also made a statement that SBA itself sometimes creates difficulties for the small business community.

Mr. **SEIDMAN**. Yes.

Mr. **LAFALCE**. Would you expand upon that?

Mr. **SEIDMAN**. Advocacy has a case work function where they help individual small businesses. In any bureaucracy there are going to be foulups.

The Office of Advocacy should be independent so that it can advocate for small business before SBA as well as any other agency. There have been a significant number of casework problems involving SBA, particularly in the 8(a) area.

Mr. LAFALCE. On page 7 of your testimony you make reference to the difficulties in using Commerce Business Daily.

Mr. SEIDMAN. Yes.

Mr. LAFALCE. Could you expand upon that a bit?

Mr. SEIDMAN. The basic problem is that the Commerce Business Daily is untimely. Under procurement rules a procurement must be synopsized in the Commerce Business Daily 10 days before the solicitation is issued or, in the case of an order under a basic ordering agreement, which is the way most spare parts procurements are placed, 10 days before that order is made. Ten days is just not enough time, especially considering delays in the mail for a small business to obtain a copy of a solicitation, review it, obtain any other necessary documents, such as specifications referred in the solicitation, and prepare and submit a timely bid or proposal. I think what is needed here is to increase this 10-day period and also to improve the technology used to speed getting the Commerce Business Daily out to the procurement community.

Electronic methods could be used to get this data from the procuring activities. They could use word processing machinery and send it over the wire to word processing machinery at the Commerce Business Daily in Chicago. It would not even have to be retyped. It could then again be transmitted on electronic equipment to be received by other word processing machinery.

I am sure a lot of small businesses would be very anxious to pay for such service because it would increase their opportunities to bid significantly.

Mr. LAFALCE. Did the Office of Advocacy argue this to any governmental agency, to the Department of Commerce, for example?

Mr. SEIDMAN. No; we did not. It is something perhaps that we should have done, but we never got around to doing it. Our role has basically been a legal role, handling the bid protests in front of GAO.

Mr. LAFALCE. As the former head of the Procurement Section of the Office of Advocacy, do you think that expanding the 10-day period to some longer time frame, say 15 days or so, would (a), be that beneficial to the small business community and, (b) would it be detrimental to the procurement process?

Mr. SEIDMAN. I think you have some balancing to do here. Perhaps the way to do it would be to expand it to, say, 30 days, but provide an exception for emergency situations where goods or services must be procured in a short time frame.

For most procurements 30 days won't make any difference to the Government.

Mr. LAFALCE. Do you think it would be that beneficial to the small business community if they did have a 30-day period rather than the 10-day period?

Mr. SEIDMAN. Yes. Absolutely.

Mr. LAFALCE. I have no further questions.

Mr. Weber?

Mrs. Snowe?

Mrs. SNOWE. I just have a couple more. Thank you, Mr. Chairman.

On this spare parts breakouts, do you think it would maximize participation of small businesses in the procurement process if they did more of that, the Department of Defense?

Mr. SEIDMAN. If you did away with the bidder prequalification and if they were able to get timely notification of these procurements, it would significantly increase small business opportunities and save the Government a lot of money to boot.

Mrs. SNOWE. Who decides when these spare parts are going to be broken out? At the bidder prequalification stage? Is that the first stage? Couldn't they decide later on to preclude them as well? Have one prime contractor do everything?

Mr. SEIDMAN. Basically the assignment of the codes, you have your contractor recommended codes first.

The prime contractor on an aircraft would recommend a contractor recommended code to DOD as to how a part should be procured at a later date.

It is obviously in their self-interest to have it procured on a sole source basis to them. I understand that these contractor recommended codes are followed about 70 percent of the time in arriving at the procurement method codes that are, in fact, used for procurement purposes and restrict procurements.

Mrs. SNOWE. So the contractor recommends the codes?

Mr. SEIDMAN. Yes.

Mrs. SNOWE. It becomes a rather incestuous relationship all in all.

When you talk about the revolving door of military officials retiring, working for companies—in Maine there is a small company that manufactures noses to missiles. It was underbid by a larger conglomerate really for the purpose of removing the small business—the small company, from manufacturing the noses to missiles.

Then ultimately they would have been the only manufacturer in the country. Probably at that point they could have named their price for the parts they did construct.

Have you found that to be the case in your experience? Have you heard of any such——

Mr. SEIDMAN. I have heard of such situations and seen a couple of situations like that. However, if aircraft spare parts were broken out, I doubt that the original aircraft manufacturers would be able to cut their prices across the board and to sell at a loss to eliminate small business competition. There are just too many small businesses out there. They can do it to eliminate one small business, but they can't do it to eliminate tens of thousands.

Mrs. SNOWE. One final question: Who determines the sole source contracting status? How is that determined?

Mr. SEIDMAN. That is done by procurement methods codes. Again you would have your contractor-recommended code; the contractor would meet with DOD officials at a provisioning conference. As a result of that provisioning conference, the procurement method for the spare part would be determined.

Mr. LAFALCE. What you are saying is, very often the sole source manufacturer would recommend that he be the sole source manufacturer?

Mr. SEIDMAN. Exactly. That is what happens.

Perhaps one answer may be to have some small business participation in these provisioning conferences. There is none right now.

Mrs. SNOWE. Thank you.

Mr. LAFALCE. Mr. Seidman, thank you very much for your testimony ———

I am sorry. Mr. Weber?

Mr. ED WEBER. Mr. Seidman, I just wanted to say I think your testimony has been very valuable to this committee. I appreciate very much your being here.

What is the charge to the Office of Advocacy? Can you describe what the law or the regulations mandate that office to do?

Mr. SEIDMAN. Under Public Law 94-305, 15 U.S.C. 634c, the Office of Advocacy is charged with representing small businesses before the Federal Government.

The Regulatory Flexibility Act, recently enacted, gives the Advocacy office additional responsibilities to monitor agency compliance with the Regulatory Flexibility Act and the right to intervene in certain lawsuits concerning regulations.

Mr. ED WEBER. At the present time that office is controlled by the Administrator, the SBA Administrator?

Mr. SEIDMAN. Yes.

Mr. ED WEBER. Under your proposal who would control that office?

Mr. SEIDMAN. The Chief Counsel for Advocacy.

Mr. ED WEBER. Who would be appointed by whom?

Mr. SEIDMAN. By the President and would report to the President. That is the setup in Public Law 93-405. That is the law right now.

The Chief Counsel for Advocacy is to be appointed by the President and reports directly to the President.

Mr. ED WEBER. For what length of term is he appointed?

Mr. SEIDMAN. He serves at the President's pleasure. He can be fired just as any other Presidential employee.

Mr. ED WEBER. Somehow the President has delegated that control to the Administrator of the Small Business Administration? Is that what has happened?

Mr. SEIDMAN. I don't know what has happened at that level.

Mr. ED WEBER. Under some circumstances——

Mr. SEIDMAN. All I know is that Advocacy has lost its independence. The exact why and wherefore, I am not in a position to comment on.

Mr. ED WEBER. There is at least de facto control by the Administrator at the present time?

Mr. SEIDMAN. Yes.

Mr. ED WEBER. You are saying take the Administrator out and have the line of authority go directly from the Chief Counsel to the President?

Mr. SEIDMAN. That is what the law provides for.

Mr. LaFalce. As a matter of clarification, the SBA has a Chief Counsel and General Counsel that is a separate office from the Office of the Chief Counsel for Advocacy. OK?

The Chief Counsel for SBA is one thing; the Chief Counsel for Advocacy is a separate person, a separate office, under a law.

Mr. Seidman, thank you very much.

Mr. Seidman. Thank you.

PANEL CONSISTING OF PATRICK P. LEE, DANIEL D. BARRY, AND DONALD J. CHECKI

Mr. LaFalce. I would now like to convene a panel of three individuals, Mr. Patrick Lee, president of Enidine Corp.; Mr. Dan Barry, director of the Buffalo labor surplus area outreach project, and Mr. Don Checki, director of the New York City labor surplus area outreach project.

I would like to comment that in years past I was extremely active along with Congressman Joe Addabbo in creating a legislative mandate for labor surplus set-aside programs that had hitherto existed only under an executive order and had fallen into virtual total disuse.

We also were able to convince the various Federal agencies to create some demonstration programs where outreach could take place under that labor surplus set-aside program.

Four cities were selected. Based upon the evaluations of those four projects, the two that have performed most admirably have been Buffalo and New York City. That is why we have them here with us today.

The first witness will be Mr. Daniel Barry.

TESTIMONY OF DANIEL D. BARRY, DIRECTOR, BUFFALO LABOR SURPLUS AREA OUTREACH PROJECT, BUFFALO, N.Y.

Mr. Barry. Thank you for inviting me to testify during these hearings.

The local development corporation for the city of Buffalo, Erie County, N.Y., is an industrial development arm of the city government and has undertaken the implementation of a novel new market development program as an outgrowth of its direct loan activities, "the labor surplus area demonstration outreach program," or, as we in Buffalo call it, "the procurement outreach program."

With the assistance of Mayor James D. Griffin of Buffalo, Congressman John LaFalce and the Small Business Administration, Buffalo has been selected as one of four demonstration cities to link up capable and interested small and disadvantaged businesses with Federal procurement opportunities.

The Federal Government is the largest single market for products in the world, spending in excess of $100 billion annually for goods and services.

The practical goal of the procurement outreach program is to link the capabilities of Buffalo area firms with this market. The broad goals of the program are:

One, broaden the defense industrial base and increase competition on Federal contracts by assisting small and disadvantaged businesses in overcoming the sizable barriers that exist for a small business in doing business with the Federal Government.

Two, provide small and disadvantaged businesses with the tools, that is, knowledge, to successfully break into and establish a position in the Federal marketplace so that future technical assistance from the LDC is unnecessary.

Three, reduce unemployment by utilizing the Government's procurement dollar responsibly in areas of high unemployment.

Clearly all the parties benefit from a program of this nature. The Federal Government benefits from the procurement outreach program by increasing the number of capable, competitive, and responsible bidders supplying the Government's needs. The local government benefits by increased financial stability of local firms, creation of employment opportunities through production and service demands, and stabilization of the local tax base. The small business similarly benefits by being provided with the tools necessary to compete on Federal contracts and subcontracts without future assistance. The end result is long-term stable and profitable work for local businesses and their employees.

Practically speaking, in terms of day-to-day operations, the staff works one-on-one as market development specialists, guiding an individual business through all phases of the procurement process. This includes helping a client identify specific Federal procurement opportunities.

It also includes helping a client identify specific Federal agencies that have a need for the firm's goods and services, and getting on those agencies' bid lists.

Further assistance is offered in obtaining product-purchase histories and critical procurement information; preparation for preaward surveys and development of quality control programs. The program also assists prime contractors in regard to Public Law 95-507 by identifying capable subcontractors. And indeed, if our program is allowed to continue, much of our future attention will be focused in linking up prime contractors with capable subcontractors.

The program to date is working with 129 companies in the Buffalo area and has played a role in obtaining $806,627.50 worth of prime contracts as well as a $37 million loan guarantee for the construction and operation of a gasohol plant in the Buffalo area.

Many attempts have been made on the part of the Federal Government to promote equal access and competition in the Federal marketplace for small business. However, much remains to be done to streamline Federal procurement through simplified regulatory procedures and thereby increase competition.

In the course of our 1 year's experience, a number of impediments in the Federal procurement process have been identified as placing an undue burden on the small business sector of the economy, thereby frustrating small business competition in the Federal marketplace. I believe the following are worthy of the oversight attention of this distinguished body.

In the eyes of small businessmen, Government contracting has never been met with overwhelming optimisn and confidence because of many reasons, including the administrative paperwork burdens imposed upon them. A good example of this paperwork burden is the Defense Logistics Agency's trial labor surplus area program. The recently conceived program allows for a 5-percent differential to be accorded a firm located in a labor surplus area under certain specified conditions. The firm, in order to be eligible, must complete an "Offeror's Representation as to Impact on Employment," which requires the firm to attest to the location of the work performed, employees retained, and employees added. I quote the following from this form:

> Impact on employment will not be an evaluation factor in determining the award of the contract. However, if any offerer fails or refuses to give the required information, either with the offer or upon request, thereafter he shall be ineligible to participate in the acquisition covering the set aside.

I would point out this form is included with invitations for bid such as this one right here.

The invitation for bid, gentlemen, in this one example, is a document of some 36 pages. This form comes along with the invitation for bid.

To put it succinctly, the Secretary of Defense is required by Congress to monitor employment impact not the small business. The primary concerns of a small businessman are bringing profitable work in the front door and running his business efficiently providing a quality product on time at a reasonable cost; not performing a governmental function. The end result in the eyes of small business is a chilling effect on a conceptually sound program.

I am sure this committee is keenly aware of the Small Business Administration's role in Government procurement and in particular the procurement center representative's or PCR's role as the primary small business advocate in larger procurement facilities. The difficulty encountered here is that they are few in number, spread thinly across the procurement system and are extremely busy. Moreover, and most pointedly, as a practical matter they are unidentifiable as an advocate of small business for one very simple reason. The directory of PCR's listing the names of the individual PCR, the procurement facility and phone number, is classified by the SBA as being for official use only and thereby exempt from the Freedom of Information Act. The result is that for a small business to obtain a copy, he must demonstrate a need to know. If the SBA is truly the advocate of small business, this directory should be in the hands of every small business Government contractor.

Mr. LaFalce. Is this really a problem? Shouldn't every small business interested in bidding for Government by definition have a need to know and therefore, by definition, be able to obtain a list of the PCR's?

Mr. Barry. As a practical matter, I am saying that the list of PCR's is only an in-house document. It is not published as a formal document, available in all the SBA offices.

I am saying that it really should be available in every SBA office. It is available to SBA employees only.

Another area of concern is that small businesses manufacturing standardized commodities face widespread difficulty in obtaining up-to-date product specifications in a timely fashion. Our program has faced numerous instances in which we have identified an item in the Commerce Business Daily, and perhaps this elaborates on Mr. Seidman's comments. For instance, we will identify a commodity that we feel one of our companies is capable of manufacturing, attempt to obtain the specifications from the Government's central repository, the Naval Publications and Forms Center in Philadelphia, Pa., only to have the bid date pass before the company received the information.

In the case of we requesting the information on behalf of the company, very, very frequently the bid date will pass.

I could cite numerous recent examples where that has occurred.

The solution really is to decentralize the central repository, making the contracting officer responsible for both the dissemination and quality of the specification that the Government—for the item that the Government is purchasing.

The net result of these cumbersome, antiquated procedures in terms of getting hold of the specifications and drawings is that the Government will pay a higher price for poorer quality goods by virtue of the fact that known manufacturers—when I say known, known to the Government—that know the Government's operating methods, will have specifications and know how to compete.

Mr. LAFALCE. Mr. Barry, I am going to have to interrupt you. It is necessary for the subcommittee again to recess. We have to vote. We will be back in 10 minutes.

It is my intention to go straight ahead with the subcommittee at the hearings, not to break for lunch until we conclude and I also hope to conclude no later than 1 o'clock with everyone's testimony.

The subcommittee will be in recess for 10 minutes.

[Recess.]

Mr. LAFALCE. The subcommittee will resume.

Mr. Barry, I would ask you to conclude your remarks.

Mr. BARRY. I was elaborating on the difficulty that a small business faces in obtaining specifications from the Naval Forms and Publications Center. Invariably in our experience the specification will be received by the small business after the bid date as published in the Commerce Business Daily passes.

Therefore, it is a practical impossibility for the small business to identify his own capability in relation to the Government's needs and respond to an advertised procurement in a timely fashion.

A possible solution might be to decentralize the repository of specifications to each procurement facility as historically was done before the Naval Forms and Publications Center was set up.

I would also point out that this is done on engineered items.

The result would be easier access for small business and greater competition on Government contracts.

All my remarks really address the issues of accessibility and intelligibility on the part of a small business.

I think through these methods the Government would stand a greater chance of increasing competition on standardized commodity items, thereby purchasing higher quality goods at a lower cost.

Also, I would point out in regard to specifications, the Government holds itself harmless from the quality of the specification promulgated, putting the small and disadvantaged firm in the position of producing a potentially unuseable item, with the liability resting solely on the small business' shoulders.

Further, inconsistencies which are the result of a lack of communication on the part of contracting officers, contract administrators, and end users as to what is actually required under the contract results in excessive burdens being placed on the shoulders of small businesses, and frustrate competition rather than induce it.

Mr. Patrick Lee, president of Enidine, a company with whom we have worked, will elaborate on these points in a moment.

In summation, in a little over a year's time, the procurement outreach program has proven through hard-won early victories that Federal procurement can be a viable tool for economic development.

If allowed to continue in the coming year, our attention will be focused on linking up capable small and disadvantaged business firms with prime contractors pursuant to Public Law 95-507, as well as building upon the early momentum thus far obtained in the prime contract area.

Simply put, in a year's time I can report that the early successes are encouraging and are a precursor of bigger things to come in the way of results.

While we have found that the barriers to small and disadvantaged business participation are very real indeed, more importantly, we have proven that they are not insurmountable.

Thank you, Mr. Chairman.

Mr. LAFALCE. Thank you very much, Mr. Barry.

Now we will hear from Mr. Patrick Lee, the president of Enidine Corp. in that portion of Buffalo, N.Y., that I have the privilege of representing.

TESTIMONY OF PATRICK P. LEE, PRESIDENT, ENIDINE CORP., BUFFALO, N.Y.

Mr. LEE. Thank you, Mr. Chairman and members of the committee for inviting me to testify at these subcommittee hearings.

Enidine is a small business situated in Buffalo, N.Y., with two facilities approximately 27,000 square feet, and 65 employees.

Enidine started 15 years ago and specializes in the design and manufacture of energy absorption devices, specifically shock absorbers for industrial and aerospace applications which are marketed both nationally and internationally.

At this time I would like to give recognition to the local development corporation of Buffalo, N.Y.; specifically Mayor James Griffin, Mr. James Militello, and Mr. Robert Dickerson, who were instrumental in helping Enidine expand its facilities in late 1979, early 1980, by granting a direct loan of $180,000 in cooperation with one of our local Buffalo banks.

Without this LDC loan and their assistance, our expansion would not have been possible.

An outgrowth of Enidine's contact with the LDC was our introduction to the procurement outreach program directed by Mr. Daniel Barry and assisted by Ms. Joan Barreli and Mr. Charles Stradley.

As the president of a company that has been involved in DOD procurement for over 15 years, I would like to indicate that I endorse the concept of this program, which links the capabilities of the small business community to the requirements of Government agencies, thereby introducing the widest possible market in Government-required products and services.

It is my opinion that a concerned local development agency can play a key role between these two groups.

In addressing this committee on DOD procurements, I would like to qualify my company by stating that Enidine, over the past 15 years, has received well over 100 DOD contracts valued from less than $5,000 to $850,000. Since 1975, Enidine has received approximately 40 contracts having a total value of over $3.5 million.

Many problems confront small businesses in dealing with DOD. Today I would like to bring to your attention one of the more serious and pressing problems, delays caused by Government drawing errors and their associated approvals.

As a small business, the orderly progression of a contract through a plant is essential for cash flow and reasonable profit.

Undue delays can completely disrupt a small business. A design correction or a process change which could be approved by Enidine's engineering department in a matter of several days, and would normally take no more than 2 weeks in industry, takes an average of 4 to 5 months with DOD.

I will give you evidence to this in the following examples, which are typical and are not exaggerated nor extraordinary.

I have chosen four different situations in order to present an assortment of circumstances dealing with DOD in trying to obtain these contract changes or approvals.

My first example is on contract 3329, a cylinder snubber, Department of the Army; Warren, Mich. Approximate value, $35,000. The problem: Rod stress failure, a component material problem in that material specified in a contract did not possess sufficient strength due to an error in a Government drawing.

April 17, 1977, Enidine informed the contracting officer of pressure test failure due to Government erroneous rod material design. Enidine's letter and stress analysis along with recommendations were forwarded, including contract modification request.

June 13, Enidine letter requesting answer to letter of April 13.

June 27, Enidine signed and returned a modification dated June 24 which we had received from DOD.

August 29, Enidine letter to DCASMA Buffalo ACO requesting their help and reply to contract modification returned by Enidine on June 27.

September 19, Enidine received Government signed modification. Time, 5 months.

In conjunction with the above correspondence, approximately 13 phone calls were made to Warren, Mich.

Another example is a buffer assembly, Department of the Army, Rock Island, Ill.

Approximate value, $60,000. Problem, obtaining a specified welding procedure approval.

February 14, 1977, Enidine copy of welding procedure forwarded for approval.

March 3, forwarded revised copy per Mr. Keehner of Rock Island.

April 7, Enidine letter to DOD requesting their reply to Enidine letter of March 3.

June 13, forwarded revised page per request of Mr. Holzworth, Rock Island. This request should have been made by Mr. Keehner, Rock Island, when he first requested revisions.

June 16, welding procedure approved.

Time: 4 months. In conjunction there were four calls to Rock Island.

A buffer assembly for the Army, Rock Island. Approximate value, $60,000.

Problem, obtaining an approved special DOD-specified rod seal.

August 31, 1976, Enidine requested manufacturing sources for this seal. Since item was on a QPL—qualified products list—and those sources shown on this list no longer manufactured said seal.

September 21, Enidine requested reply to letter of August 31.

October 19, Enidine again requested an answer.

November 18, informed Rock Island contracting officer that delivery of contract first article jeopardized due to seal delay.

December 22, informed by Rock Island that seals must be purchased from Defense Industrial Supply Center in Philadelphia.

Time: 4 months.

September 12, 1977, seals delivered to Enidine.

Total time: 13 months.

In conjunction with the above correspondence, approximately 17 phone calls were made to Rock Island.

Next is contract 6258, the same item to be delivered at the same time, $800,000.

Problem: Mating part fit discrepancies, dimensional fit problems between two parts.

February 16, 1978, DCASMA interoffice memorandum originated from visit of DCASMA engineer to Enidine facility explaining discrepancies found.

February 22, Enidine telex defining problem and requesting authorization for change to contracting officer at Rock Island.

May 26, Enidine letter to contracting officer again requesting information concerning problem and noting that functional verification of the parts in question were verified in actual use at Letterkenny Army Depot on parts furnished by Enidine at no charge.

No formal documentation for correction ever received. Contract shipped July 25 per functional verification agreement of contracting officer.

Time: 5 months.

In conjunction with the above correspondence, approximately 10 phone calls were involved to Rock Island and Letterkenny.

Not indicated are the numerous phone calls made to local DCASMA for help in expediting these changes or approvals.

The cost in administration, interest expense on working capital, and production disruptions must eventually be borne by DOD. In many cases the company must bid higher prices to cover anticipated delays; or, as in the case of some small businesses, find that their profit margins have evaporated and, therefore, no longer bid on Government requirements.

The problem lies in the fact that the contracting officer has no real incentive to quickly pursue the changes or approvals requested by a contractor.

I believe a change is required in procurement procedures whereby a DCASMA-approved request for a design change order or a process approval must be completed by the contracting officer in 60 days.

If this request is not answered within a 60-day period, then a 90-percent progress payment should be allowed on any size contract and a startup cost of 10 percent of the contract be allowed once the change order or approval has been authorized.

This startup cost would be an incentive for DOD to quickly process requests, plus contractors or bidders would no longer have to build a cushion in their bids for such possible delays.

I believe, on the whole, DOD would receive lower bids and a savings would be incurred to the Government from this new procurement procedure.

DOD should streamline their paperwork, since change requests must flow from the contractor to DCASMA, to the contracting officer, to the contracting officer's engineering department, and in many cases to other engineering facilities, and then of course back through the same chain.

This streamlining is not an impossible task, but a matter of DOD alining itself to more up-to-date industry practices.

Another matter that I would like to address this committee on is Public Law 95-507, opening Federal procurement to small businesses.

I feel that DOD has made strides toward this goal; however, large prime contractors have not pursued small businesses which have complete design, test, manufacturing and quality control capabilities.

Prime contractors' small business plans usually center around supplies and services that are only available through small businesses, and, as a result, the utilization of small business for complete project or component responsibility is limited.

Lower cost and more competitive bids will be derived if prime contractors would release this type of procurement to small businesses.

This concludes my testimony. I am prepared to answer any questions that you may have concerning my statement.

Again, thank you for giving me the opportunity to meet before this distinguished committee.

[Mr. Lee's prepared statement follows:]

Prepared Statement of Patrick P. Lee, President, Enidine Inc., Buffalo, N.Y.

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Many problems confront small businesses in dealing with DOD. Today I would like to bring to your attention one of the more serious and pressing problems—delays caused by government drawing errors and their associated approvals.

As a small business, the orderly progression of a contract through a plant is essential for cash flow and reasonable profit. Undue delays can completely disrupt a small business. A design correction or a process change which could be approved by enidine's engineering department in a matter of several days, and would normally take no more than 2 weeks in industry, takes an average of 4 to 5 months with DOD. I will give you evidence to this in the following examples, which are typical and are not exaggerated nor extraordinary.

I have chosen 4 different situations in order to present an assortment of circumstances dealing with DOD in trying to obtain these contract changes or approvals.

Contract No. DAAE07-77-C-3329, cylinder snubber, Department of the Army, U.S. Army Tank-Automotive Materiel Readiness Command, Warren, Mich.; approximate value: $35,000. Problem: rod stress failure.

A component material problem, in that material specified in a contract did not possess sufficient strength due to an error in a government drawing.

1. April 13, 1977: Enidine informed contracting officer of pressure test failure due to government erroneous rod material design. Enidine letter and stress analysis along with recommendations were forwarded, including contract modification request.
2. June 13, 1977: Enidine letter requesting answer to letter of April 13, 1977.
3. June 27, 1977: Enidine signed and returned modification dated June 24, 1977 from DOD.
4. August 29, 1977: Enidine letter to DCASMA Buffalo ACO requesting their help and reply to contract modification returned by enidine June 27, 1977.
5. September 19, 1977: Enidine received government-signed modification.

Time: Five months.

In conjunction with the above correspondence, approximately 13 phone calls were made to Waren, Mich.

Contract No. DAAA09-76-C-6845, buffer assembly, counter recoil, Department of the Army, Hq., U.S. Army Armament Command, Rock Island, Ill. Approximate value: $60,000. Problem: obtaining a specified welding procedure approval.

1. February 14, 1977: Enidine copy of welding procedure forwarded for approval.
2. March 3, 1977: Forwarded revised copy per Mr. Keehner, Rock Island.
3. April 7, 1977: Enidine letter to DOD requesting their reply to Enidine letter of March 3, 1977.
4. June 13, 1977: Forwarded revised page per request of Mr. Holzworth, Rock Island. This request should have been made by Mr. Keehner, Rock Island, when he first requested revisions.
5. June 16, 1977: Welding procedure approved.

Time: Four months.

In conjunction with the above correspondence, approximately nine phone calls were involved.

Contract No. DAAA09-76-C-6846, buffer assembly, counter recoil, Department of the Army, Hq., U.S. Army Armament Command, Rock Island, Ill. Approximate value: $60,000. Problem: obtaining an approved special DOD-specified rod seal.

1. August 31, 1976: Enidine requested manufacturing sources for this seal, since item was on a qpl (qualified products list) and those sources shown on this list no longer manufactured said seal.
2. September 21, 1976: Enidine requested reply to letter of August 31, 1976.
3. October 19, 1976: Enidine again requested answer.
4. November 18, 1976: Informed Rock Island contracting officer that delivery of contract first article jeopardized due to seal delay.

5. December 22, 1976: Informed by Rock Island that seals must be purchased from Defense Industrial Supply Center, Philadelphia.

Time: Four months.

6. September 12, 1977: Seals delivered to Enidine.

Total time: Thirteen months.

In conjunction with the above correspondence, approximately 17 phone calls were made to Rock Island.

Contract No. DAAA09-77-C-6258, Mod kit, Department of the Army, Hq., U.S. Army Armament Command, Rock Island, Ill. Approximate value in conjunction with another contract for the same Item: $800,000. Problem: Mating part fit discrepancies—dimensional fit problems between two parts.

1. February 16, 1978: DCASMA inter-office memorandum originated from visit of DCASMA engineer to Enidine facility explaining discrepancies found.

2. February 22, 1978: Enidine telex defining problem and requesting authorization for change to contracting officer at Rock Island.

May 26, 1978: Enidine letter to contracting officer again requesting information concerning problem and noting that functional verification of the parts in question were verified in actual use at Letterkenny Army Depot on parts furnished by Enidine at no charge.

4. No formal documentation for correction ever received. Contract shipped July 25, 1978 per functional verification agreement of contracting officer.

Time: Five months.

In conjunction with the above correspondence, approximately 10 phone calls were involved to Rock Island and Letterkenny.

Not indicated are the numerous phone calls made to local DCASMA for help in expediting these changes or approvals.

The cost in administration, interest expense on working capital and production disruptions must eventually be borne by DOD. In many cases, the company must bid higher prices to cover anticipated delays; or as in the case of some small businesses, find that their profit margins have evaporated and, therefore, no longer bid on Government requirements.

The problem lies in the fact that the contracting officer has no real incentive to quickly pursue the changes or approvals requested by a contractor.

I believe a change is required in procurement procedures, whereby a DCASMA-approved request for a design-change order or a process approval must be completed by the contracting officer in 60 days. If this request is not answered within a 60-day period, then a 90-percent progress payment should be allowed on any size contract and a start-up cost of 10 percent of the contract be allowed once the change order or approval has been authorized. This start-up cost would be an incentive for DOD to quickly process requests, plus contractors or bidders would no longer have to build a cushion in their bids for such possible delays.

I believe, on the whole, DOD would receive lower bids and a savings would be incurred to the Government from this new procurement procedure. DOD should streamline their paperwork, since change requests must flow from the contractor to DCASMA, to the contracting officer, to the contracting officer's engineering department, and in many cases, to other engineering facilities, and then of course, back through the same chain. This streamlining is not an impossible task, but a matter of DOD alining itself to more up-to-date industry practices.

Another matter that I would like to address this committee is on Public Law 95-507, opening Federal procurement to small businesses.

I feel that DOD has made strides toward this goal; however, large prime contractors have not pursued small businesses which have complete design, test, manufacturing and quality control capabilities.

Prime contractors' small business plans usually center around supplies and services that are only available through small businesses; and, as a rule, the utilization of small business for complete project or component responsibility is limited. Lower cost and more competitive bids will be derived if prime contractors would release this type of procurement to small businesses.

This concludes my testimony. I am prepared to answer any questions that you may have concerning my statement.

Again, thank you for giving me the opportunity to meet before this distinguished committee.

Mr. LaFalce. Thank you very much for your excellent testimony, Mr. Lee. We will hold questions until we hear from the third member of the panel, Mr. Don Checki, the director of the New York City labor surplus area outreach program.

TESTIMONY OF DONALD J. CHECKI, DIRECTOR, NEW YORK CITY LABOR SURPLUS AREA OUTREACH PROJECT, NEW YORK, N.Y.

Mr. CHECKI. Thank you very much for giving me the opportunity to be heard today.

I am going to digress from the prepared statement and more or less summarize and highlight certain points in there.

Mr. LAFALCE. Without objection, we will put your entire prepared statement in the record.

Mr. CHECKI. Let me briefly describe the New York program and how it varies. One fact which is unknown to many people is that New York City is truly a city of small businesses.

Ninety percent of the over 200,000 companies which we have in New York City have less than 20 employees; 5 percent have less than 200 employees. So we are indeed dealing with the very, very small companies.

One thing we did in New York which the other demonstration cities did not do, is target very specific industries for attention, for assistance.

Those industries presently are paint manufacturing, handbags, carrying cases, duffel bags, et cetera, related sound goods, apparel, per se, metal fabrication, and paperboard box and containers.

We are planning now to get into the electronic parts and small electrical parts.

As I speak there are certain things I would like you to bear in mind.

Small businesses are convinced that the Government does not want to do business with them. They are convinced for very good reasons. Experience has shown that it is just too much trouble for small businesses to begin to deal with the Government.

Point No. 2, problems which exist within the Federal procurement system are similar within both civilian and military buying centers.

The nature and the degree of the problems may vary from buying center to buying center and, depending upon the personnel, but basically there is a common denominator throughout the entire system.

No. 3, one excuse we constantly get from buying centers about delays, et cetera, is that it is the post office. Most of our dealings with the buying centers are done by telephone, so the post office cannot be blamed in this instance.

No. 4, normally there is a 30-day turnaround period from the time a solicitation hits the street to the time that a bid must be submitted. Therefore, No. 1, any delay is significant, particularly if you are dealing with a small business and especially then if you were dealing with a small business that has never done Government business before.

I also quite seriously question the need for the 30-day turnaround period. It makes no sense to me why everything has to be bought. I say everything. Obviously some things do have to be bought very quickly, but there is no reason why everything has to be bought within 30 days, and I also think it is a comment on the inventory system that the Government has.

They simply do not know what they need and when they are going to need it.

Inevitably the bottom line is they are going to have to pay more money. What I would like to do now is just comment on some of the major problems which we have experienced.

One of the most important ones is that solicitations which we request simply never arrive. We have documented as far as the metal fabrication industry is concerned, during the months of February and March of this year, New York City companies capable potential bidders were not able to respond to 70 percent of the current solicitations because of the delays in receiving the solicitations and/or receiving the applicable specifications.

Delays or nonreceipt, both.

Also, and this point has been touched upon, not all solicitations include the relevant specs. What you have to do is get your hands on the relevant solicitation, examine it; a small manufacturer has then to decide if he or she wants to go ahead and bid and then has to get the actual specs, which must be ordered from a separate office.

With regard to certain industries then you also have to get the drawings from a third office.

By that time the bid has closed. You cannot possibly submit it.

A minor problem, but one that I think should be noted: Often times solicitations and specs and drawings have been reproduced so many times that they cannot possibly be read. This is also true of drawings which are on 35-millimeter aperture cards which is the way drawings are issued.

Another problem with drawings being issued on aperture cards—particularly for a small business person—is that you have to have the equipment to read the drawings and then equipment to reproduce the drawings actually to work from.

Often times too drawings are unavailable. They are in the hands of the prior contract awardee.

I do not understand why if the Government buys widgets the contractor should not have to turn over drawings to the Government, because there again what you end up with is a sole source, so you will get a solicitation and you will call asking for the drawings, and you will be told its in the hands of the XYZ company which is not about to release those drawings.

Another problem we have, solicitations and specifications are supposed to be available in the local DCASR offices or in the case of civilian drawings, in the local GSA drawings. That is simply not the case.

They don't get the solicitations, the specifications any more than we do.

Paperwork. Everybody comments on paperwork. Just getting into the system, if I am a first time potential bidder, there are numerous bidders applications forms which I must fill out.

If I am a widget manufacturer, there may be six different buying officers which buy widgets. Each of them has its own bidders list application.

Also, a corollary of what Mr. Seidman discussed earlier, here again I speak with my knowledge about the paint industry. GSA buys virtually all of the paint for the Federal Government, both civilian and military requirements.

Many—a significant number—of those paints are what are called quality product list items which means the following:

Before I, as a paint manufacturer, can even bid, I must submit my product to GSA for laboratory testing. Those tests are very expensive. Also, for instance, if I manufacture latex paint, I cannot merely submit a sample of my latex paint.

I must submit a sample of my white paint, my off-white paint, my ivory paint; every single color that might possibly in the future be solicited.

These tests run anywhere from $800 to $3,500 each. There is no way a small businessman is going to submit for those tests, because he has no idea what the Government is going to buy, or when, or in what quantities.

It is a restrictive list. What you end up with are sole sources or very small—or producers of paint who specialize in a given number of items for whom then the testing is financially feasible.

We have talked numbers. We have talked general problems.

What I would like to do now is get down to two very specific instances which recently occurred.

I mention in the written testimony, samples. The largest industry in New York City is the apparel industry. Obviously it is the most economically important industry to New York City.

The Department of Defense buys literally hundreds of millions of dollars of apparel every year.

Samples should be made available to manufacturers to inspect. The situation right now is the following:

Either there are no samples, or there is only one sample which the Federal Government will not release; the apparel industry, you must bear in mind, is an industry that is used to manufacturing by sample rather than by specification. A manufacturer will not manufacture unless he or she can look at a sample.

Problem: Why can't he be taught to deal from specs? In my statement I attached drawings for this duffelbag. I had to fight tooth and nail to get this. I was told there was no duffelbag sample. What I ultimately found out was DOD was indeed producing this duffelbag a block away from the purchasing office. They had a rush order, so they were rushing through several thousand of these.

No. 1, why was I told there were no samples available? The buying office could have gone across the street and gotten me a sample. Instead we fought.

I brought this along to show you a couple of things. When you look at it, it is a simple item. No one could possibly manufacture from this.

The copies that you have in your statement are better copies than appeared in the solicitation because my secretary played games with the Xerox machine to make it darker and more legible.

Mr. LAFALCE. Let the record indicate when the gentlenman referred to "this" he was not referring to the duffelbag, he was referring to a diagram that he had in his hand contrasting the complexity of the diagram with the simplicity of the sample.

Mr. CHECKI. I would now like to draw your attention to a couple of very specific things.

If your eyesight is better than mine, you will see somewhere here that this drawing says—as I said, if your eyesight is better than mine—"21 May 1970-something, this drawing is obsolete."

Mr. LAFALCE. We would like a copy of this drawing for the record.

Mr. CHECKI. It is attached to my statement. This drawing is obsolete. If I didn't have a hawk-eyed member of my staff, the manufacturers would have had to deal with an obsolete drawing, No. 1.

In the solicitation it says the Government will furnish the material. Obviously if the Government is going to furnish the material, the cost to the manufacturer is going to be less.

Hawk-eyed staff member: We were able to tell because of a very minor detail that the Government was not going to furnish the material. We called the buying office and we were told yes, you are right, the Government is not going to provide the material.

Solicitation says the Government will.

Another reason to have samples. We spent hours when we finally got this—we managed to find some manufacturers who were willing to bid. This, by the way, gentlemen, was a $2 million contract. We are talking large dollars here.

The manufacturer—they have to see it, taste it, feel it.

If you feel this, you will see there is a liner underneath this quilting. Until the manufacturer could feel that, he couldn't tell that from the solicitation and the spec.

There is special stitching on here which was not clear. There is no wonder why they will not manufacture unless they can have samples. If DOD is really sincere about increasing the number of bidders who bid, and saving money, they will make samples available to manufacturers.

The other specific example I wanted to discuss with you was something which resolved itself at 6 o'clock New York time on Monday.

There is a—let's call it a generic handbag. That means has the capability to manufacture handbags, duffelbags. In this case the Air Force Academy was soliciting clothing bags, the kind you carry onto a plane.

This is not Government issue, by the way. This is for sale at the Academy's equivalent of a PX.

We have been nurturing a small company, young, aggressive owners who have never done Government business before. They have been bidding.

There is—the solicitation contained a 64-word description of what they were looking for. We called and said, are there specifications? We were told no.

The manufacturer also called. We were told no.

Really, it is at the discretion of the manufacturer. Since it is not Government issue, a manufacturer has more leeway as to what he or she can produce.

Our manufacturer—let's call it the XYZ company—manufactured a sample, submitted a bid, and came in as apparent low bidder. After that was announced, he received word from the Air Force Academy that his bid was not responsive. We asked why.

In this 64-word description, it says metal frame across top. It does not say all the way across. The metal frame is merely to hang the garments from. There is no reason, really, why you have to have it all the way across.

The Air Force informed us that it had to go all the way across. The description also says "rubberized-type backing." That is the fabric that is to be used.

In the industry rubberized-type does not mean rubber fabric. It means rubberized-type. His sample was rubberized-type.

They said he was not responsive for that reason. He said to them fine, I will extend the bar, I will give you whatever material you want, and I will give it to you for the same price originally quoted.

Their first response was that they were going to the third lowest bidder. I know that the second lowest bidder was 10 percent higher than the New York City company. They would not tell me how much higher the third bidder was. They also said the burden was on the manufacturer to ask the questions. It is my contention that the specs should have answered those questions.

Plus, he did not only call them, he went out to Boulder, Colo., to discuss it with them. While he was there he said, may I see a sample and he was told, no, you may not. We have been buying this from the same manufacturer for 15 years and we like his product.

When I talked to the lieutenant in charge 2 days ago, he told me they were not going to buy it from the third lowest bidder. I might add, I talked to the buyer who then put the lieutenant on the phone.

The buyer told me they were going to buy it from the third lowest bidder. The lieutenant told me they were pulling back the solicitation. They were going to reissue it, and they were going to ask for a name brand or equal.

I know who is going to get that contract. There is no way we can compete against a name brand or equal solicitation. They will be paying more money for it, at least 10 percent more.

One of the sad things about it is this manufacturer is now saying I don't need, I don't want the Government. A low bidder.

Gentlemen, I think it is a sad state of affairs. I think money is being wasted, and I think small businesses are being kept out of the bidding process. It is sad.

It is not a giveaway program. All we are asking for is the opportunity to get into the procurement system. The system, the way it presently exists, keeps them out, particularly first timers.

I have nothing more to add other than to say thank you very much.

[Mr. Checki's prepared statement with attachments follow:]

PREPARED STATEMENT OF DONALD J. CHECKI, DIRECTOR, NEW YORK CITY LABOR SURPLUS AREA OUTREACH PROJECT, NEW YORK, N.Y.

I would like to thank this Committee for offering me the opportunity to appear before it. Like you I am concerned about the importance of government contracts to small businesses and, conversely, the importance of small businesses to the government procurement system. I am firmly convinced that by improving the acquisition process the government will increase the number of companies bidding for procurement contracts. Greater competition would, in turn, result in major cost savings. At the present time, however, existing problems which are endemic to the entire procurement process, both military and civilian, serve to exclude potential bidders, particularly small businesses, from participating in the procurement system.

On April 30, 1981, the New York Times reported that Deputy Secretary of Defense Frank C. Carlucci ordered the Pentagon "to make major changes both in acquisition philosophy and the acquisition process itself". The article further quoted Mr. Carlucci as stating: "A primary objective in streamlining the Department of Defense acquisition process is reducing costs. We have not identified any new techniques that will magically result in a cure for many of the problems that beset the Federal acquisition process".

It is also my belief that the acquisition system can not be improved by any magic cures. There is, quite simply, nothing magical about procurement. There are, however, certain procedures and techniques which can be improved. I am here this morning to discuss with you my suggestions in those areas.

At the present time I am the Director of the New York City Procurement Outreach Program. The Program, which is funded in part by the U.S. Department of Housing and Urban Development, has two equally important objectives. They are:

1. To bring more contract dollars into New York City and thereby develop more job opportunities;

2. To help the government purchase quality goods at the lowest possible price by increasing competition for those contract dollars.

In order to attain these objectives, the Outreach Program offers technical and management assistance to small- and minority-owned businesses to enable them to bid on, secure and successfully complete government contracts. In New York we have targeted specific industries for assistance. Presently those industries include: paint manufacturing; carrying cases and related sewn goods; metal fabrication; apparel; and paperboard box and container manufacturing. In addition, we are assisting companies which are not within the targeted industries but have expressed a particular interest in doing business with the government. The Program has the capability of taking a company literally from A to Z through the procurement process.

In addition we offer a wide range of services, including: identifying contract opportunities; securing, explaining and clarifying government solicitations and specifications; helping a company establish an acceptable quality control system; and, more generally, staying with a company through the term of a contract. Thus, on a daily basis, we are dealing with the entire procurement process and the problems inherent in that system. Further, because we are dealing with small companies, most frequently companies that have never done government work before, we are in a unique position to offer comments and suggestions about small business and procurement.

Although the Program has been, and will continue to be, successful in its attempts to bring additional bidders into the procurement process, it has not been an easy task. The barriers which confront small business are numerous, indeed at times insurmountable, and it requires Herculean tenacity, patience and effort for a small company to make its way. Before discussing those barriers I ask you to bear in mind several points. They are:

1. Small businesses are convinced that the Federal government does not want to do business with small companies, and that it is impossible to do business with the government.

2. Problems within both the military and civilian procurement systems are similar. They do, however, vary from buying center to buying center.

3. Virtually all of our dealings with the procurement offices are done by telephone. Thus, for once, the Post Office can not be blamed for delays and lost correspondence.

4. Normally there is a 30-day period from the time a solicitation "hits the street" to the time that a company must submit a bid. Therefore any delay or any problem which arises is significant and may serve to keep a small company, particularly a first time bidder, out of the procurement system.

In my opinion the two major categorical problem areas are: (a) solicitations and specifications, and (b) access to samples. A more detailed explanation of those problems follows.

A. *Solicitations and Specification.*—Unless a potenial bidder receives the appropriate solicitations and specifications in a timely fashion there is, obviously, no way he or she can possibly submit a bid. Problems with regard to solicitations and specifications are numerous however. In fact, for the months of February and March 1981, I estimate that capable metal fabricators were unable to respond to 70 percent of the current solicitations because of these problems. (See Attachment I)

Included among the difficulties are the following:

1. Requested solicitations simply never arrive.

2. Solicitations arrive too late for a potential bidder to develop a responsive bid.

3. Not all solicitations include the relevant specifications as attachments. Thus, when the solicitation arrives it must be examined to ascertain what specifications pertain, and the specifications must then be ordered from the spec office. In a significant number of cases, by the time the specifications arrive, if they do at all not enough time remains to submit a bid, or the bid has already closed.

4. Specifications are often issued in the form of 35mm aperture cards. Therefore, unless a potential bidder has access to the appropriate equipment, which is expensive, he or she can not read and reproduce the specifications.

5. At times, when specifications which are referenced in solicitations are ordered, word is reveived that such specifications do not exist. In fact what has happened is that the specification number has been updated, the solicitation cites the old spec number, and the spec office has no cross reference system to identify the new spec number.

6. In certain instances, solicitations and specifications have been reproduced so many times that they are no longer legible.

7. Current solicitations and specifications are supposed to be available in the local Defense Contract Administration and General Services Administration offices. In fact tney are not available and a potential vendor is forced to deal with the buying offices. Dealing with the latter by mail would cause too great time delays, but contacting the purchasing offices is both costly and time consuming.

8. A corollary of the aforementioned problem is the fact that a significant number of solicitations state specifically that phone requests will not be honored. By the time everything has been requested by mail, however, the bid will have closed.

9. Although Bidders List Application Form 129 is touted as being a uniform application, in fact many of the buying centers have their own Bidders List Applications.

10. Government inventory controls and purchasing forecasts are faulty to say the least. Thus, neither the government nor manufacturers are able to plan for the future. This has several results:

    a. The government is rushing through purchases within the 30 day period, when with appropriate inventory controls it could allow a longer time frame;

    b. The government is probably buying smaller quantities at higher costs than is necessary;

    c. A small company can not know when, or what, the government will buy.

B. *Samples.*—With regard to certain industries, if the government earnestly wishes to increase the number of manufacturers who are bidding, it must provide samples. This is particularly the case with regard to apparel items and other sewn goods such as handbags, duffel bags, canteen covers, etc. There are two reasons why samples are crucial, and they are:

1. Apparel and sewn goods manufacturers work from samples. They can not work solely from specifications and drawings.

2. Specifications and drawings, more often than not, are unclear, and at times incorrect.

At the present time there is a sample room in Philadelphia. However, for many solicitations no samples are available; for other solicitations only one sample is available and a manufacturer must travel to Philadelphia to look at it. Does it not make sense to make samples available to manufacturers, for a fee, which they can carefully examine in their factories with their production managers? We are speaking here of contracts worth hundreds of millions of dollars. Surely increased competition can bring down the costs of purchasing these items and providing samples is one way to do this.

I cite as an example of the need for samples the following situation which recently occurred. A solicitation, worth approximately $2.1 million was recently issued for duffelbags. The solicitation was ordered and arrived in a timely manner, but did not contain the specifications. The specs were then ordered which contained drawings of the relevant duffelbag. Copies of these drawings are attached hereto as Attachment II. As can be seen, it would be impossible for a manufacturer to decipher these drawings and to develop an accurate bid. Upon reviewing the drawings contained in the specifications, my staff then ordered actual to scale drawings, which arrived in the form of aperture cards, should not all of this documentation have been included in one package, and more important; shouldn't a sample have been available if a manufacturer wanted to examine one? In addition, the solicitation was defective in two ways:

1. It stated that the government would furnish the material to the manufacturer. This was not the case.

2. The drawings included in the specification were obsolete.

Fortunately, my staff managed to catch these errors. A manufacturer, especially one who has never done business with the government, would not have.

There are, of course, additional problems and barriers which confront a small business in its dealings with the government. Time does not permit discussion of all of them. I believe, however, that I have touched on those which are most important. I also believe that unless the government is in earnest about addressing these problems it will merely continue to pay a higher price for goods than is necessary, and will continue to exclude many capable companies from the procurement process.

Once again, thank you for permitting me to appear before you this morning. In closing I want to state that my staff and I stand ready to assist you and other government officials in any way we can.

ATTACHMENT I

THE CITY OF NEW YORK,
OFFICE OF THE MAYOR,
New York, N.Y., June 4, 1981.

NORMA LEFTWICH,
Director, Small and Disadvantaged Business Utilization, Office of the Deputy Secretary of Defense, Washington, D.C.

DEAR MS. LEFTWICH: New York City's Office of Economic Development is presently operating a Procurement Outreach Program which offers technical assistance to small and minority-owned businesses to enable them to bid on, secure and successfully complete procurement contracts. The Program offers a range of services which include identifying contract opportunities and securing for City companies both the solicitations and specifications relevant to those opportunities. Unfortunately delays in the receipt of both solicitations and specifications from various Department of Defense offices have precluded capable potential bidders from responding to announced solicitations. In fact, for the months of February and March it is estimated that 70 percent of the current solicitations could not be responded to because of these delays.

Attached is a series of tables which document the above mentioned delays. Data have been developed for three major Department of Defense purchasing centers, i.e. Army Tank Automotive Materiel Readiness command (TARCOM), Defense Industrial Supply Center (DISC) and the Army Armament Materiel Readiness Command, Rock Island (ARRCOM) which provide the solicitations, and for the Naval Publications and Forms Center which provides the specifications relevant to those solicitations if the specifications are not included with the solicitations. In virtually every instance these solicitations and specifications were for small, fabricated metal parts.

The attached tables set forth the following information:

1. The number of days which elapsed from the time solicitations were requested to the time they were received. (Tables I, IV, VI and VIII).
2. The number of days which remained from the time solicitations were received to the bid closing date. (Tables II, V, VII and IX).
3. The number of days which elapsed from the time specifications were ordered to the time they were received. (Table III).

Weighted averages have been computed for the data set forth in each of these tables. In addition, attachments listing the actual solicitation and specification numbers have been included.

While examining these tables several points should be kept in mind. They are:

1. The requests for solicitations and specifications were made by telephone, they were not mail requests.
2. Most solicitations have a thirty day "turn around" time period. That is, from the time a solicitation is announced to the bid closing date, a potential bidder has no more than thirty days. It is therefore important to note both the number of days which elapsed before the solicitations were received and the number of days which remained until the bid closing date. With few exceptions, manufacturers require a minimum of two weeks to examine solicitations and specifications, and to prepare and submit a responsive bid.
3. In a significant number of instances solicitations do not include the relevant specifications. Therefore not until a solicitation is examined can a potential bidder: (a) decide if he/she is interested in submitting a bid; (b) ascertain what specifications are relevant; (c) order the relevant specifications which are referenced in the solicitations; and (d) receive the specifications, examine same, formulate a bid and submit.
4. The number of days referred to in these tables are calendar, not business days. This distinction is particularly important with regard to those tables which indicate

the number of days remaining from the time solicitations were received to the bid closing date.

I would very much appreciate your comments about these problems, and suggestions as to how we can mutually resolve them. If you have any questions or need additional information please give me a call.

It was a pleasure to meet you and I look forward to hearing from you soon.

Yours truly,

DONALD J. CHECKI,
Director, Procurement Outreach Program.

Enclosure.

MILITARY SOLICITATIONS & SPECIFICATIONS

TABLES & EXHIBITS

TABLE I

During the months of February and March 1981, a total of 90 solicitations were requested of three(3) procurement centers, Army Armament Material Readines Command (AARCOM), Army Tank Automotive Material Readiness Command (TARCOM) and Defense Industrial Supply Center (DISC). Of this total 28 were never received and 62 were received within a range of 4 to 34 days.

Number of solicitations requested (N=90)	1	2	2	9	4	8	7	7	4	1	3	3	1	3	3	1	1	1	1	28
Number of days elapsed before solicitations were received	4	5	6	7	8	9	10	12	13	15	16	17	19	20	21	23	26	27	34	Never Received

Weighted average of days elapsed before solicitations were received - 12 days

TABLE II

The following table illustrates the number of solicitations (62) which were received from AARCOM, TARCOM and DISC, and the number of calendar days which remained until the bid closing date from the day of receipt.

Number of solicitations received (N=62)	1	2	1	2	2	2	1	2	3	3	2	10	4	3	2	3	2	1	1	1	1	2	1	1	2	2	1	2	2
Number of calendar days from receipt of solicitation to bid closing date	1	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	20	21	22	26	27	28	29	30	31	32	33	34	38

Weighted average of days remaining from date of receipt of solicitation to bid closing date - 17 days

TABLE III

During the months of February and March, 1981 a total of 57 specifications were ordered from the Naval Publications and Forms Center. These were received within a range of 4 to 47 calendar days. The following table illustrates the number of specifications which were requested and the number of days which elapsed before they were received. (See attached listing, of specifications requested, Exhibit A, pages iii and iv)

Number of specifications ordered (N=57)	3	2	7	2	5	1	4	2	3	9	5	4	2	1	1	6
Number of calendar days elapsed before specifications were received	4	5	6	7	8	9	10	11	13	14	16	23	26	40	46	47

Weighted Average: 17 days

FEBRUARY PUBLICATIONS ACTIVITY

Qty	2	5	2	3	4	2	1	1	6
Days	6	8	11	13	14	26	40	46	47

MARCH PUBLICATIONS ACTIVITY

Qty	3	2	5	2	1	4	5	5	4
Days	4	5	6	7	9	10	14	16	23

Weighted Average:

Number of days until receipt of requested publications

February - 23 days

March - 12 days

May 27, 1981

SPECIFICATIONS REQUESTED OF
NAVAL PUBLICATIONS & FORMS CENTER
PHILADELPHIA, PA.

MONTHS OF FEBRUARY & MARCH 1981

FEBRUARY 1981

ITEM	DATE ORDERED	DATE RECEIVED	# OF DAYS
QQ-N-290	2/4	2/17	13
QQ-C-320	2/4	2/17	13
MS-21105	2/5	2/13	8
MS-6812	2/5	2/13	8
MIL-P-14232	2/6	2/17	11
MS-35338	2/6	2/17	11
MS-51967	2/6	3/24	46
MIL-I-6868	2/6	3/25	47
MIL-B-17757	2/6	3/25	47
MIL-F-18866	2/6	3/25	47
MIL-STD-252	2/6	3/25	47
MS-35311	2/9	2/17	8
MS-51938	2/9	2/17	8
FF-N-84	2/9	3/4	13
FF-N-386	2/9	3/27	47
MS-51967	2/9	3/27	47
MS-51969	2/13	2/27	14
MIL-Q-9858	2/13	2/27	14
FF-N-836	2/13	3/25	40
MS-16286	2/19	3/5	14
QQN-281	2/19	3/5	14
MS-9035	2/27	3/5	6
MS-16286	2/27	3/5	6
NN-P-71	2/27	3/25	26
PPP-T-76	2/27	3/25	26
* MS-21105	2/27	3/7	8

*Duplicate

TOTAL = 26

Exhibit A

May 27, 1981

SPECIFICATIONS REQUESTED OF
NAVAL PUBLICATIONS & FORMS CENTER
PHILADELPHIA, PA.

MONTHS OF FEBRUARY & MARCH 1981

MARCH 1981

ITEM	DATE ORDERED	DATE RECEIVED	# OF DAYS
MIL-T-82271	3/2	3/11	9
MIL-T-1870	3/3	3/19	16
MS-6812	3/6	3/13	7
MIL-C-8956	3/11	3/16	5
CID-A-A-272	3/11	3/16	5
MIL-S-21087	3/12	3/18	6
MIL-C-19516	3/17	4/2	16
MIL-C-29145	3/17	4/2	16
MIL-E-52799	3/17	4/2	16
MIL-E-52929	3/17	4/2	16
MIL-O-2414	3/17	3/27	10
MIL-P-28577	3/17	3/27	10
MIL-L-46159	3/17	3/27	10
MIL-P-12742	3/19	4/2	14
MIL-P-38336	3/19	4/2	14
MIL-P-46865	3/19	4/2	14
MIL-P-47170	3/19	4/2	14
MIL-P-47126	3/19	4/2	14
MIL-P-47241	3/19	3/25	6
MIL-P-47275	3/19	3/25	6
MIL-P-47279	3/19	3/25	6
MIL-P-46116	3/19	3/25	6
MIL-H-24460	3/23	3/31	7
MS-16187	3/24	4/16	23
MIL-T-11752	3/24	4/16	23
MIL-P-20192	3/24	4/16	23
MIL-C-83360	3/24	4/16	23
MIL-O-43738	3/27	4/6	10
CID-A-A-341	3/31	4/3	4
DOD-C-22325	3/31	4/3	4
DOD-P-15144	3/31	4/3	4
		TOTAL =	31

Exhibit A

TABLE IV

During the months of February and March 1981, a total of 18 solicitations were requested of U.S. Army Tank Automotive Material Readiness Command (TARCOM), Warren, Michigan. Of this total one(1) was never received and a total of 17 were received over a period ranging from 7 to 17 days. (See list attached, Exhibit B, page vi)

Number of solicitations received (N=17)	4	2	4	4	2	1
Number of days elapsed before solicitations were received	7	8	9	10	12	17

Weighted average of number of days elapsed between date of request and date of receipt of solicitation - 9 days

TABLE V

Of the 17 solicitations received, the number of calendar days which were available for submission of a bid varied from 5 to 34 days. (See list attached, Exhibit B, page vi)

Number of solicitations received (N=17)	1	1	1	1	5	1	1	2	1	1	1	1
Number of calendar days from receipt of solicitation to bid closing date	5	9	12	13	14	16	17	18	20	21	28	34

Weighted average of number of days available for bid submissions - 17 days

U.S. ARMY TANK AUTOMOTIVE MATERIEL READINESS COMMAND
WARREN, MICHIGAN

Exhibit B

SOLICITATIONS REQUESTED - February & March 1981

SOLICITATION #	ITEM DESCRIPTION	DATE REQUESTED	DATE RECEIVED	BID CLOSING DATE	NUMBER OF CALENDAR DAYS FROM DATE OF: REQUEST TO RECEIPT	RECEIPT TO CLOSING
DAAE 07-81-B-5206	Rod, Drop Side	2/10	2/17	3/5	7	16
DAAE 07-81-B-5210	Side Rack, Vehicle	2/10	2/20	3/6	10	14
DAAE 07-81-B-5205	Side Rack, Vehicle	2/10	2/20	3/6	10	14
DAAE 07-81-B-7215	Sling Assembly	2/10	2/27	3/4	17	5
DAAE 07-81-B-A396	Tube Assembly, Metal	2/10	2/20	3/6	10	14
DAAE 07-81-B-7282	Side Rack, Vehicle	2/11	2/20	3/10	9	18
DAAE 07-81-B-A430	Retainer Assembly	2/11	2/20	3/20	9	28
DAAE 07-81-B-A455	Anchor	2/11	2/20	3/10	9	18
DAAE 07-81-B-7296	Pin & Chain Assy.	2/24	None	-	-	-
DAAE 07-81-B-A495	Handle, Manual Control	3/4	3/16	4/6	12	21
DAAE 07-81-B-7230	Cover, Fitted	3/4	3/12	3/26	8	14
DAAE 07-81-B-A441	Pad, Assembly	3/4	3/11	3/20	7	9
DAAE 07-81-B-A516	Lock, Plate, Retaining	3/4	3/11	3/31	7	20
DAAE 07-81-B-A542	Elbow, Radiator	3/18	3/26	4/8	8	13
DAAE 07-81-B-7339	Rod, Arm, Assembly	3/18	3/27	4/30	9	34
DAAE 07-81-B-7347	Side Rack, Vehicle	3/27	4/3	4/20	7	17
DAAE 07-81-B-A533	Bolt, Self Locking	3/27	4/8	4/20	12	12
DAAE 07-81-B-A147	Shim, Set	3/27	4/6	4/20	10	14

TABLE VI

During the months of February and March 1981, a total of 45 solicitations were requested of the Defense Industrial Supply Center (DISC), Philadelphia, Pennsylania. Of these, 21 were never received and 24 were received over a period ranging from 4 to 21 days. (See list attached, Exhibit C, pages viii, ix and x)

Number of solicitations received (N=24)	1	2	2	5	2	3	1	4	1	1	2
Number of days elapsed before solicitations were received	4	5	6	7	8	9	10	12	13	16	21

Weighted average of number of days elapsed between date of request and date of receipt of solicitations - 10 days

TABLE VII

The following table illustrates the number of solicitations (24) which were received from DISC and the number of calendar days which remained until the bid closing date.

Number of solicitations received (N=24)	2	2	2	2	1	2	1	1	5	3	2	1
Number of calendar days from receipt of solicitation to bid closing date	4	6	7	8	10	11	12	13	14	15	16	18

Weighted average of number of days available for bid submission - 11 days

DEFENSE INDUSTRIAL SUPPLY CENTER
PHILADELPHIA, PA.

Exhibit C

SOLICITATIONS REQUESTED - February & March 1981

SOLICITATION #	ITEM DESCRIPTION	DATE REQUESTED	DATE RECEIVED	BID CLOSING DATE	NUMBER OF CALENDAR DAYS FROM DATE OF: REQUEST TO RECEIPT	RECEIPT TO CLOSING
DLA 500-81-B-1155	Nut, Plain Hex	2/6	2/11	2/27	5	16
DLA 500-81-B-1156	Nut, Plain Hex	2/6	2/11	2/27	5	16
DLA 500-81-B-1200	Nut, Plain Hex	2/10	2/17	3/3	7	14
DLA 500-81-B-1195	Bolt, Shoulder	2/10	None	-	-	-
DLA 500-81-B-1213	Stud, Plain	2/10	2/17	3/3	7	14
DLA 500-81-B-1215	Stud, Plain	2/10	2/17	3/3	7	14
DLA 500-81-B-1302	Screw, Cap, Hex Head	2/19	None	-	-	-
DLA 500-81-B-1269	Nut, Plain, Hex	2/19	2/27	3/10	8	11
DLA 500-81-B-1283	Nut, Plain, Hex	2/19	2/27	3/10	8	11
DLA 500-81-B-1255	Bolt, Machine	2/19	2/25	3/9	6	12
DLA 500-81-B-1476	Screw, Cap, Hex Head	2/23	3/16	3/20	21	4
DLA 500-81-B-1477	Screw, Cap, Hex Head	2/23	3/16	3/20	21	4
DLA 500-81-B-1429	Screw, Shoulder	2/24	3/5	3/19	9	14
DLA 500-81-B-1532	Clamp, Loop	3/2	3/6	3/24	4	18
DLA 500-81-B-1518	Hasp, Hinged	3/2	3/18	3/24	16	6
DLA 500-81-B-1525	Bolt, Machine	3/2	3/9	3/24	7	15
DLA 500-81-B-1489	Screw, Cap	3/4	3/16	3/23	12	7
DLA 500-81-B-1516	Screw, Cap, Hex Head	3/4	3/16	3/24	12	8
DLA 500-81-B-1490	Screw, Cap	3/4	3/16	3/23	12	7
DLA 500-81-B-1526	Bolt, Self-Locking	3/4	3/16	3/24	12	8

DEFENSE INDUSTRIAL SUPPLY CENTER
PHILADELPHIA, PA.

Exhibit C

SOLICITATIONS REQUESTED - February & March 1981

SOLICITAYION #	ITEM DESCRIPTION	DATE REQUESTED	DATE RECEIVED	BID CLOSING DATE	NUMBER OF CALENDAR DAYS FROM DATE OF: REQUEST TO RECEIPT	RECEIPT TO CLOSING
DLA 500-81-B-1493	Lock, Washer	3/4	3/17	3/23	13	6
DLA 500-81-B-1488	Screw Cap, Hex Head	3/6	None	-	-	-
DLA 500-81-B-1593	Screw Cap, Hex Head	3/6	None	-	-	-
DLA 500-81-B-1603	Gasket	3/6	None	-	-	-
DLA 500-81-B-1548	Bolt, 12 Point Head	3/6	None	-	-	-
DLA 500-81-B-1549	Nut, Slotted, Hex	3/6	None	-	-	-
DLA 500-81-B-1534	Pin, Quick Release	3/6	None	-	-	-
DLA 500-81-B-1573	Bolt, Machine	3/10	3/16	3/26	6	10
DLA 500-81-R-0564	Bolt, Shoulder	3/10	3/19	4/3	9	15
DLA 500-81-R-0558	Washer	3/10	3/19	4/3	9	15
DLA 500-81-B-1592	Shim, Aluminum Alloy	3/10	3/20	4/2	10	13
DLA 500-81-B-1619	Stud, Cont. Thread	3/16	3/23	4/6	7	14
DLA 500-81-R-0571	Bolt, Machine	3/18	None	-	-	-
DLA 500-81-R-0577	Steel Receptacle	3/18	None	-	-	-
DLA 500-81-R-0570	Clamp, Loop	3/18	None	-	-	-
DLA 500-81-B-1622	Machine, Screw	3/18	None	-	-	-
DLA 500-81-R-0572	Retaining Ring	3/18	None	-	-	-
DLA 500-81-B-1639	Stud, Cont. Thread	3/18	None	-	-	-
DLA 500-81-B-1640	Washer, Key Cres.	3/18	None	-	-	-
DLA 500-81-B-1607	Bolt, Machine	3/27	None	-	-	-

DEFENSE INDUSTRIAL SUPPLY CENTER
PHILADELPHIA, PA.

Exhibit C

SOLICITATIONS REQUESTED - February & March 1981

SOLICITATION #	ITEM DESCRIPTION	DATE REQUESTED	DATE RECEIVED	BID CLOSING DATE	NUMBER OF CALENDAR DAYS FROM DATE OF:	
					REQUEST TO RECEIPT	RECEIPT TO CLOSING
DLA 500-81-B-1703	Bolt, Machine	3/27	4/20	4/17	-	-
DLA 500-81-B-1674	Stud, Welding	3/27	None	-	-	-
DLA 500-81-B-1687	Nut, Plain, Hex Head	3/27	4/20	4/17	-	-
DLA 500-81-B-1693	Rivet, Blind	3/27	4/20	4/17	-	-
DLA 500-81-R-0580	Rivet, Blind	3/27	4/20	4/15	-	-

TABLE VIII

During the months of February and March 1981, a total of 27 solicitations were requested of the U.S. Army Armament Materiel Readiness Command (AARCOM), Rock Island, Illinois. Of these six(6) were never received and 21 were received over a period ranging from 9 to 34 days. (See list attached, Exhibit D, pages xii and xiii)

Number of solicitations received (N=21)	1	2	1	3	1	2	2	1	3	1	1	1	1	1
Number of days elapsed before solicitations were received	9	10	12	13	15	16	17	19	20	21	23	26	27	34

Weighted average of number of days elapsed between date of request and date of receipt of solicitations - 18 days

TABLE IX

The following table illustrates the number of solicitations (21) which were received from Rock Island (AARCOM) and the number of calendar days which remained until the bid closing date.

Number of solicitations received (N=21)	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	1	1	2
Number of calendar days from receipt of solicitation to bid closing date	1	10	11	12	15	17	20	22	26	27	28	29	30	31	32	33	34	38

Weighted average of number of days available for bid submission - 24 days

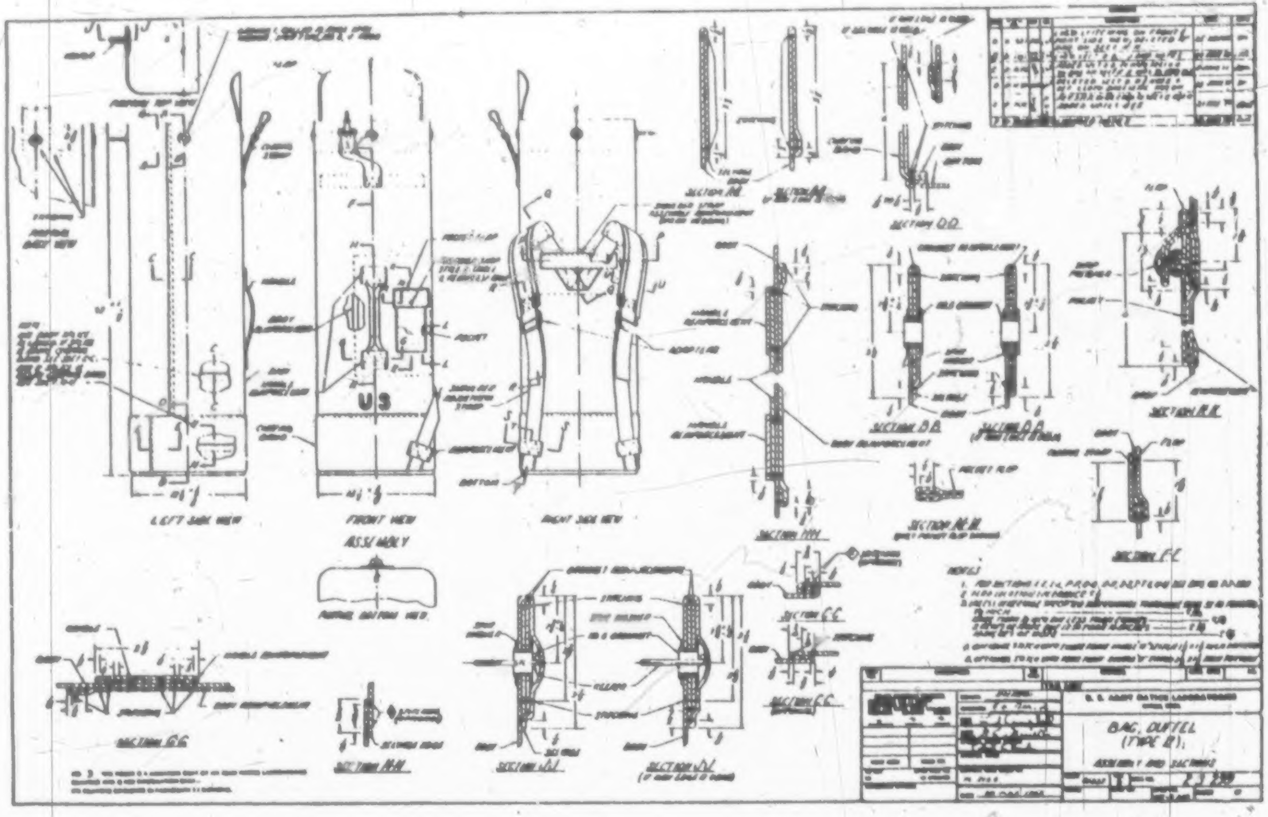
U.S. ARMY ARMAMENT MATERIEL READINESS COMMAND
ROCK ISLAND, ILLINOIS

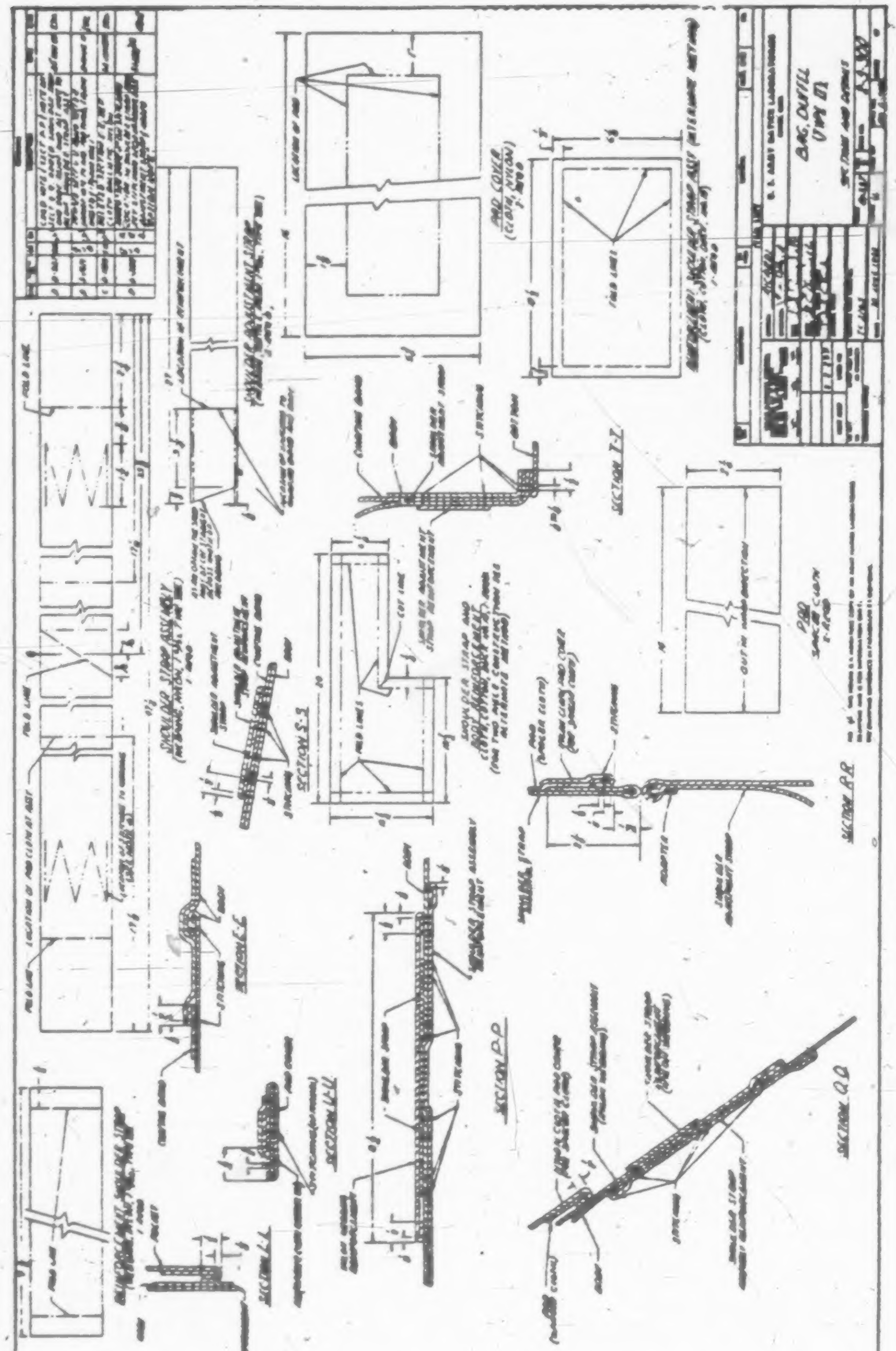
Exhibit D

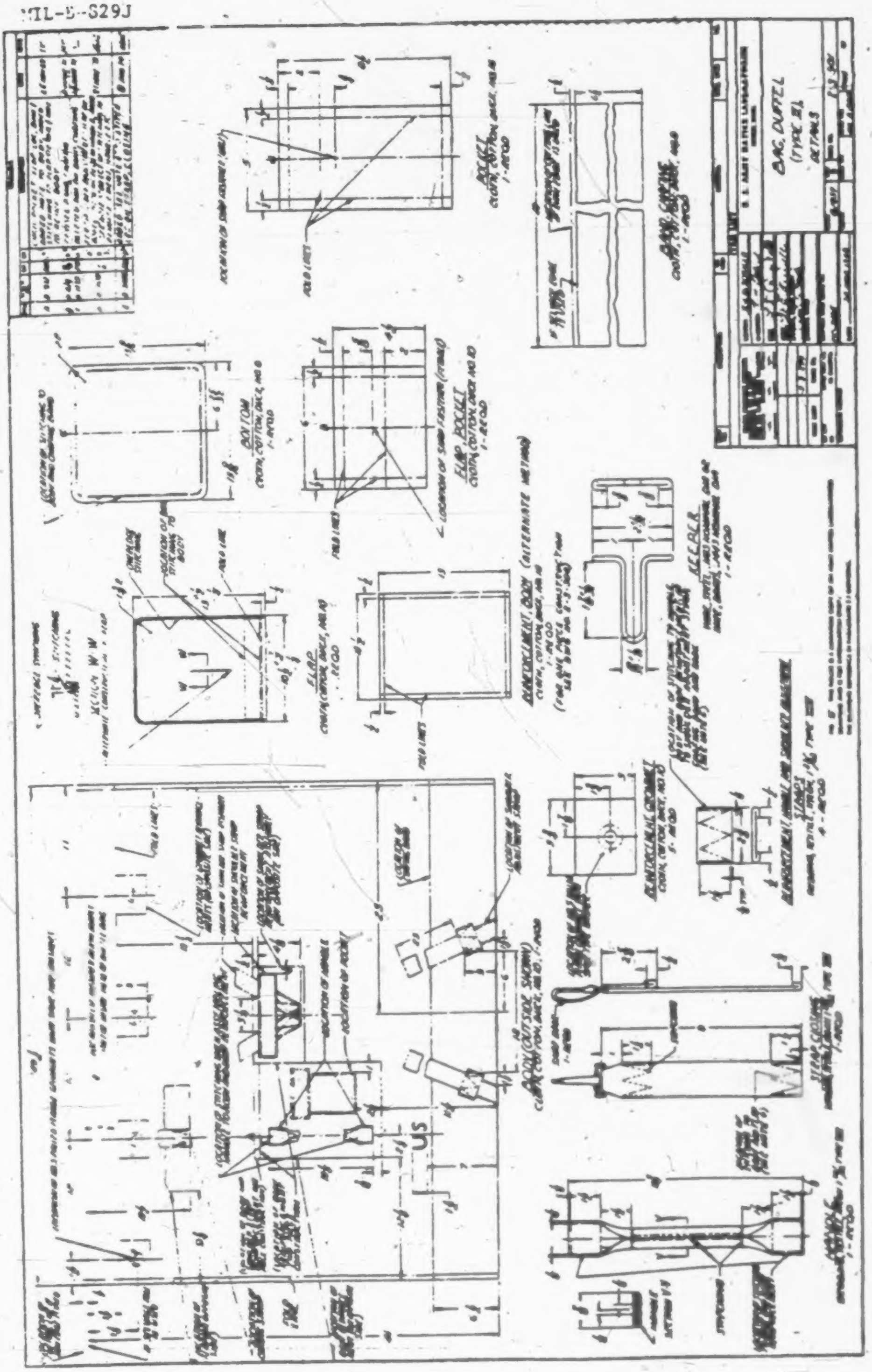
SOLICITATIONS REQUESTED - February & March 1981

SOLICITATION #	ITEM DESCRIPTION	DATE REQUESTED	DATE RECEIVED	BID CLOSING DATE	NUMBER OF CALENDAR DAYS FROM DATE OF: REQUEST TO RECEIPT	RECEIPT TO CLOSING
DAAA 09-81-B-4225	Box, Ammunition	2/3	2/23	3/6	20	11
DAAA 09-81-B-4235	Rail, Right & Left	2/6	2/23	3/24	17	29
DAAA 09-81-B-4239	Spindle, Brake & Wheel	2/6	3/12	4/14	34	33
DAAA 09-81-B-4180	Lever, Bolt, Sear	2/10	2/26	4/6	16	38
DAAA 09-81-B-4280	Handle, Charger	2/10	2/25	3/23	15	26
DAAA 09-81-B-4307	Cover, Ejection Port.	2/17	2/27	4/6	10	38
DAAA 09-81-B-1304	Arm, Sight Extension	2/17	3/9	4/9	20	31
DAAA 09-81-B-4292	Shaft, Cartridge,Pawl	2/17	3/6	4/7	17	32
DAAA 09-81-B-4206	Retainer, Nut & Bolt	2/19	3/18	4/7	27	20
DAAA 09-81-B-4323	Pin, Straight	3/3	3/16	4/17	13	32
DAAA 09-81-B-4319	Shaft, Shoulder	3/3	3/16	4/7	13	22
DAAA 09-81-B-2115	Clip & Buckle Assy.	3/3	3/16	4/2	13	30
DAAA 09-81-B-2150	Level, Fire Control	3/3	3/23	3/24	20	1
DAAA 09-81-B-4181	Pawl Cover	3/3	None	-	-	-
DAAA 09-81-B-4269	Clamp	3/4	3/23	4/7	19	15
DAAA 09-81-B-4343	Pin, Firing	3/4	4/20	5/7	-	-
DAAA 09-81-B-4284	Rod, Section Cleaning	3/4	3/16	4/13	12	28
DAAA 09-81-B-4341	Lock, Bolt	3/4	3/27	4/23	23	27
DAAA 09-81-B-4345	Nut Assembly	3/4	3/30	4/16	26	17
DAAA 09-81-B-4196	Tray, Ammo. Chest	3/10	3/31	5/4	21	34

Attachment II


LEFT SIDE VIEW
FRONT VIEW
ASSEMBLY
RIGHT SIDE VIEW
US
POCKET
HANDLE
BOTTOM
SECTION A-A
SECTION B-B
SECTION C-C
SECTION D-D
SECTION F-F
SECTION G-G
SECTION H-H
SECTION J-J
SECTION M-M
NOTES
U. S. ARMY NATICK LABORATORIES
BAG, DUFFEL
(TYPE II)
ASSEMBLY AND SECTIONS


SECTION L-L
SECTION E-E
SECTION U-U
SECTION P-P
SECTION Q-Q
SECTION S-S
SECTION T-T
SECTION R-R
SHOULDER STRAP ASSEMBLY
PAD COVER
PAD
FOLD LINE
STITCHING
BAG, DUFFEL TYPE II


U.S. ARMY NATICK LABORATORIES
BAG, DUFFEL
(TYPE II)
DETAILS
BOTTOM
FLAP POCKET
POCKET
FLAP
REINFORCEMENT, BODY (ALTERNATE METHOD)
KEEPER
BAND CASING
BODY (OUTSIDE SHOWN)
HANDLE
STRAP CASING
REINFORCEMENT, GROMMET
FOLD LINE
US

Mr. Ed Weber. Thank you.

Mr. LaFalce. Thank you.

I just think we have received powerful testimony from the three of you regarding the deficiencies of the procurement process.

It boggles my mind, Mr. Lee, that you could wait for 13 months for a response from the Government.

I do not think you adequately explained what happens. How does that hurt the Government? How does it hurt you? How does it increase your costs?

How does it increase the Government's cost?

Mr. Lee. I think that is exactly what it does. It increases the Government's cost. Our first approach on it is the fact that we have to look and say we must be very restrictive on what contracts we will take. Having gone through the difficulties I describe here, especially on the $800,000 contract, we decided to reduce the number of Government contracts we would take into our plant.

What happens, if you are a large—if a large part of your work force is involved in a Government contract and you have to stop, what are you going to do with these people? You can't send them home. If you lay them off, there is a prime contractor of at least 1,000 people or more in our city of Buffalo which is dying to get hold our people.

What we have to do is balance this very, very carefully. What has happened is higher costs.

We will only bid contracts where we know there might be the possibility of a delay; we put at least a 10-percent buffer into it.

You have the uncertainty——

Mr. LaFalce. I am sure you are not unique. I am sure every single contractor puts at least a 10-percent buffer in there.

Mr. Lee. I think our particular company represents a group of people which are important to DOD. We have experience. It is not like we are a first timer. We know our way around. We do.

There are certain items not bid by first timers, people like ourselves. They are all putting in this extra 10 percent just because they do not know what is going to happen.

If something does happen which is going to be a high probability, you know you are not going to get a quick answer. That is the major complaint.

I think I have heard a lot of testimony today, but there are two major points I would like to make.

One is the paperwork is outstanding. There is no doubt.

Second is the inability to get a quick decision from the Government. You want to know, do I go right or do I go left? That is all.

Mr. LaFalce. It takes you 5 months?

Mr. Lee. I am not exaggerating. The 4- to 5-month aspect is a standard rule. That you can't stand.

Mr. LaFalce. Mr. Weber, do you have any questions?

Mr. Ed Weber. We don't have time, really.

Mr. LaFalce. Yes. I would love to question you at great length.

First of all, we have to break for a vote. Let's go off the record for a second.

[Discussion off the record.]

Mr. LaFalce. The subcommittee will be in recess for 10 minutes.

Thank you.

[Mr. Richard DeLauer, Undersecretary for Research Engineering and Acquisition, Department of Defense, submitted the following response to Mr. Lee's testimony:]

THE UNDER SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

RESEARCH AND
ENGINEERING

14 JUL 1981

Honorable John J. LaFalce
Chairman, General Oversight Subcommittee
Small Business Committee
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

During my testimony before your subcommittee on June 25, 1981, you asked that I comment on criticisms of our design change control practices made by the president of a small defense contractor. Mr. Patrick P. Lee, President of Enidine, Inc., had recounted several instances of slow Government responses to his firm's requests for design changes and other inquiries about contract matters. Mr. Lee pointed out the economic consequences of such delays, and suggested certain steps to reduce or avoid their recurrence.

I read Mr. Lee's remarks with great interest. The Army and the Defense Contract Administration Services (DCAS) have been asked to isolate and eliminate the causes of the delays in responding to inquiries from his company. Although I am unable to judge the merits of Enidine's specific requests for design changes, I can certainly agree the firm is entitled to prompt answers.

We will carefully consider Mr. Lee's suggestions for improving our contracting procedures associated with design changes. Frankly, we are rather skeptical that allowing a 10 percent start up cost as recommended for each approved design change, over and above its actual implementation cost, would be very useful. To do so could encourage the contractor to advocate unnecessary change requests in the hope of earning these surcharges. Under our current rules, the cost of incorporating a design change is a matter for negotiation, and we believe this is the best way to insure protection of both Government and contractor interests. On the other hand, Mr. Lee's idea of increasing the progress payment rate to help small business firms cope with the cost impact of unreasonable Government delays may have merit and we will examine it closely. Although the progress payment rate was recently raised to 90 percent for small businesses, it may be appropriate to consider further adjustments in situations where Government inaction is harming especially vulnerable companies.

We appreciate your bringing this problem to our attention, and we assure you it will be dealt with quickly and effectively.

Sincerely,

Dick DeLauer

[Recess.]

Mr. **LaFalce**. The subcommittee will come to order.

We will now have the final panel, Ms. Lola Dickerman and Mr. Herman Director.

PANEL CONSISTING OF MS. LOLA DICKERMAN, AND HERMAN DIRECTOR

Ms. **Dickerman**. Thank you.

Mr. **Ed Weber**. Do we have a copy of your statement?

TESTIMONY OF MS. LOLA DICKERMAN, BOSTON ATTORNEY, SMALLER BUSINESS ASSOCIATION OF NEW ENGLAND, INC.

Ms. **Dickerman**. I do not have a written statement.

Thank you very much for your invitation to be here today.

I am here representing SBANE, which is an association of small businesses in New England.

The name of the association is the Smaller Business Association of New England. It consists of 1,700 small businesses, many of whom—although not all of whom—are in the procurement cycle doing business with the Government.

They have asked me to come here today because for about 25 years I have been a lawyer on the private side, devoting my practice entirely to Government procurement, and in the course of this time I have represented for the most part small businesses.

I was a delegate to the White House Conference of Small Business and in the course of that conference one of the items that was raised by those delegates and one which I wish to address with you here today was something called two-tiered procurement.

The small businesses of the country perceive the necessity for having that which subsequently was enacted into law with the Regulatory Flexibility Act which is the recognition for two-tiered procurement.

I would like to illustrate if I may, the need for two-tiered procurement by making reference to something called the Cost Accounting Standards Board which was a creature of the Congress and which created cost accounting standards as the result of testimony by Admiral Rickover, which said that many of the giant weapons systems contractors did not have consistency in the way in which they accounted for costs.

As a result of that, there was established a Cost Accounting Standards Board and cost accounting standards were prepared.

In my illustration I might point out that the Cost Accounting Standards Board perceived early on that these kinds of problems which they were addressing were not problems of small business or problems created by small business and that, indeed, to lay upon them this rather elaborate and sophisticated set of accounting requirements would be poor judgment and not good procurement.

Therefore, the first thing the Cost Accounting Standards Board did by way of that exemption was to exempt all of small business from the Cost Accounting Standards Board regulations. Those of us who are in this field were delighted, particularly those of us who represent small businesses, because we thought that this was a moment of sanity and logic and we were most pleased to see that act.

However, we need to remember that in the procurement process there are some very peculiar things that go on. One of the peculiar requirements, which the Department of Defense perceives, is a requirement for consistency. They are very anxious to have their regulations be consistent, internally consistent, and cover everyone. Therefore, such an exemption was not looked upon with favor by the Department of Defense and what was done about it was the following:

The cost accounting standards were adopted and included in the armed services procurement regulation which is today called the defense acquisition regulation.

They were included in section 15, one at a time, each and every one of them was incorporated, and therefore the exemption to small business disappeared totally, since everyone doing business with the Defense Department is bound, whether he is a fixed price contractor or a cost-type contractor, to be governed by the cost accounting principles of section 15 of the defense acquisition regulation.

It is this kind of thing that gave rise to the need for the Regulatory Flexibility Act.

Once again, hope sprang eternal when we saw that statute passed. We were most pleased and felt now we really have a law. Since nothing happened without the law, with the law surely now we would have some sensible things and a recognition of the need to treat small companies in the regulatory process in a different way than big companies and an obligation upon the agencies to do that.

I was most pleased when in January of this year I was appointed to the task force of the Regulatory Flexibility Act task force, which was appointed by the Office of Advocacy of the SBA.

Once again hope came crashing down. What happened was this: The first thing was that the Department of Defense said that since it is not subject to the Administrative Practices Act and since the Regulatory Flexibility Act is designed around the procedures of the APA, therefore DOD was not bound by what we—in shorthand—called the Reg Flex Act.

At that moment, with that decision, the elephant has left the tent. It is such regulations as the Defense Department regulations that are the biggest problem in procurement, and we know that it is a model for all of the civilian agencies.

After over 30 years of being in procurement and 25 on the private side, I know the lead regulation is the Defense regulation.

So there you have DOD, able to incorporate the CAS board regulations into the DAR by a simple meeting of their council—formerly called a committee—without any need for hearings or publications and the like since they are exempt from the APA.

Now, because they are exempt from the APA, they see themselves as exempt from Reg-Flex and so it goes.

It spirals away so that every effort to get a handle on two-tier procurement has so far not succeeded.

Since I know of the interest in this committee in having some kind of sense be made out of this regulatory situation, I call this to your attention. The situation as it now obtains means that nothing has been accomplished in the area where most was hoped for.

I would now like to address a second point having to do with procurement and it is this: It has to do with what we call the equitable adjustment clauses of the procurement contracts.

As has been pointed out by earlier witnesses in another context, Government contracts are not issued and then simply performed and shipped and that is it. These specifications are highly complicated and from time to time there are occasions for changes.

Changes in Government contracts are part of the natural order of things. These changes are changes in drawings, specifications, changes in Government-furnished property, changes that come out of the inadequacy of certain Government-furnished equipment and the like.

All these kinds of things give rise to changes.

The Government contract is an interesting document because there has been a kind of quid pro quo, a kind of bargain made between the Government and the contractor that goes like this:

The Government says to the contractor in its contract, we must, because of public policy reasons, be able to impose changes upon you unilaterally.

We must be able to call you up and say paint it green and have you instantly begin to paint the product green. This is important because our needs, when they are known, must be met.

We cannot sit and negotiate with you about the cost of changes. You must be obliged to perform those changes, and that is good policy and here is what we will give you in exchange.

In exchange we will promptly—and that is the kind of language in the contract—negotiate an equitable adjustment with you.

The magic word here is promptly. And in the absence of such a prompt settlement equitable to us both, we will have a dispute and you will have a prompt and quick remedy at a board of contract appeals if you are not satisfied with the adjustment that is made.

That sounds like a perfectly fair arrangment, and it does not work. It does not work all that well for small businesses for the following reasons: It is complicated and I will try to make it quick. I know it is late in the day, but here is what we have.

First of all, interest is not an allowable cost.

Second of all, if the Government places an order on a contract for, let us say, $300,000, the change order may involve $1 million. That small business needs to go to its bank to get that money. I need not belabor with you the cost of money and the difficulty in getting money. He has no contract document that shows that his contract has gone from $300,000 to $1,300,000. His banker is aware of that. He has a problem even in getting the money since cash flow, cash flow, and cash flow, are the three biggest problems facing all small businesses.

He has a problem in getting the cash. He has the cost of interest if he is able to get that money, which was never recoverable by him. And he has long delays that the Government engages in before they adjust with him.

These delays have been so long and so extensive and frequently are after the fact—although the clause contemplates a forward looking negotiation; the after-the-fact negotiation is done, audits, the like, with the result that we have seen contractors that have been threatened with default, actually defaulted, and in one terrible case thrown out of business—one terrible case in my recent experience. after 20 years of being a successful Government contractor, because of the delay and costliness of getting equitable adjustments settled.

While I am at it, and in a sense of guilt because I am a lawyer and therefore a participant in it, I have to tell you that our remedy situation is not working. It is too costly.

In the interests of trying to achieve, through the disputes procedures, through our new disputes act, a methodology that will be satisfactory to all of the large companies, we have developed discovery techniques, legal techniques so that the procedure for getting a remedy in a court—that is to say the boards in our cases—is so expensive that the contractor is in bad shape.

These things are the huge risks buried in every Government contract of any size; and they are a dilemma to the contractor.

Let us assume that a contractor has a $1 million change. The Government says it is only one-half a million. The dispute goes on. He must perform, remember. He is unable to perform. What happens is, he gets a letter from the contracting officer saying, you do not have the financial responsibility to perform and therefore we are going to default you.

If he were to fight that default at the board and succeed and pay for all of his costs, the most he can do is turn that default into a convenience termination which means he does not have the opportunity to perform that contract. He has no more than the opportunity—if he succeeds in that dispute—to recover the costs that he has incurred to the point of the default.

These are the kinds of problems small businesses face.

The right to a lawsuit is not a terrific right for anyone. In the expensive kind of system we have, it is a very difficult thing for small businesses.

Therefore, I have come here today to ask you as part of your oversight to be aware of what I would say is tantamount to economic coercion as it occurs through the governmental procurement process, through delays, through dilatory practices, through the imposition of all kinds of unnecessary administrative constraints in connection with such simple things as change orders, terminations, and the like, which are inherent in every Government contract.

While I am on the subject of economic coercion, I would just take one sentence to tell you a sad thing I heard about a day or two ago.

It disturbed me so that I thought I would speak of it since I have this chance to talk to you today.

It was an 8(a) company that called me. They had been talking with the SBA. The SBA is the friend of the small business, no?

The SBA was talking with them and has said, we have here in our back pocket a $3 million contract for you and we are going to give it to you, but, and the but is you must agree with us that you are going out of the 8(a) program.

Now, graduation and the moving of an 8(a) contractor from the 8(a) support out of the 8(a) support is supposed to be done by proper procedures. This contractor was given an either/or.

Either you get the $3 million and agree you are out of the program, or we do not give you the contract and you are out of everything.

I heard about this. I suggested they go back and talk further about it.

Mr. LAFALCE. Since the 8(a) program is supposed to be a business development program, shouldn't the SBA appropriately say we will give you a $3 million contract, but we feel that this is adequate enough for you to develop your business expertise so that you can fly on your own without special governmental assistance and preference, and isn't th . an appropriate exercise of the SBA's jurisdiction?

Because otherwise no small business would ever want to get out of the 8(a) program. This would be a gravy train rather than a business development program.

Ms. DICKERMAN. Mr. Chairman, you are quite right in that business development is the purpose of 8(a) and the whole concept of 8(a) is to provide the support until the company can perform by itself.

Had this story been that there has been an examination in accordance with proper—a proper look into this company, and a factfinding that said that this company, with the addition of this contact, would be ready to perform competitively without the support of 8(a), then that would be exactly what 8(a) is all about.

Mr. LAFALCE. How long had that company been in the program?

Ms. DICKERMAN. I don't know that. I do know the company had not had an opportunity to talk over anything more than just this sudden phone call.

It suggested to me that there was—that the proper procedures had not been gone through. I do know that all 8(a) programs are setting up under the new temporary regulation new graduation dates.

The absence of graduation dates has been a real problem in that program. I am not suggesting that the need to graduate and the need to have graduation dates is not there.

I was just struck by the process used in this particular instance and the facts as they were reported to me. That ought not to be the process of arriving at a decision about a graduation.

Mr. LAFALCE. Thank you very much for your testimony, Ms. Dickerman.

We would now like to hear from Mr. Herman Director, the editor of the National Small Business Association publication bidders early notice system.

Mr. Director?

TESTIMONY OF HERMAN DIRECTOR, EDITOR, BIDDERS EARLY NOTICE SYSTEM, NATIONAL SMALL BUSINESS ASSOCIATION

Mr. DIRECTOR. Thank you very much, Mr. Chairman.

I represent the National Small Business Association, as you say, as the chief economist and also as the Federal contracts specialist.

In view of the time constraints, I would like to enter this prepared statement for the record.

Mr. LAFALCE. Without objection, it is so ordered.

Mr. DIRECTOR. I would indicate that it does have the obstacles which have been referred to by others in the previous testimony such as the inadequate time, the nonavailability of bid specs, nonavailability of specification, geographic limits, multiple definitions of size standards, rotation policies and sole-source procurement, as well as many other things.

We have also in our testimony a positive program for assisting in this. I do want to, before I conclude, say one thing very briefly.

That is the fact that it has been said that small business, as a rule, does not want to get involved because of the fact there is so much redtape, so many constraints, so much this, so much that.

I would like to take an opposite position in the fact that small business does want to get involved.

That is one of the main reasons that we are here today, it seems to me. Small business does want to get involved and does want to participate.

I know our membership when I first started in Federal procurement, as a group, was getting about $75,000-$85,000 a month in contracts, in Government contracts.

Now it is up over $14 million. It can be done.

What we do need is some help, some assistance on the part of the Congress and the administrative facilities to see to it that it does get done.

Thank you very much.

[Mr. Director's prepared statement follows:]

PREPARED STATEMENT OF HERMAN DIRECTOR ON BEHALF OF THE NATIONAL SMALL BUSINESS ASSOCIATION

Good morning, Mr. Chairman, members of the committee. My name is Herman Director. I am appearing here today on behalf of the National Small Business Association (NSB), a multi-industry association representing approximately 50,000 small business firms nationwide. As chief of procurement matters for the National Small Business Association and as Federal contract specialist, I am involved in representation of NSB member firms in more than 1,000 standard industrial classification categories. This includes participation in and representation of small business before Federal agencies, including the Office of Federal Procurement Planning, and before various committees of Congress on Federal procurement matters with special emphasis on small business.

It has long been a standing policy of our government to rely on competitive private bids for goods and services it requires. Current expenditures for procurement are estimated at $100 billion. The small business share has ranged between 20 percent and 25 percent for the past several years, representing no appreciable growth. Detailed procurement records of 54 government agencies indicate that about half of the agencies report a small increase or no change in small business participation. There is obvious room for improvement in small business participation in government procurement in view of the fact that small business accounts for 43 percent of the GNP and employs 58 percent of the nonagricultural working population. Small businesses are 95 percent of all private enterprises in the United States.

There has been an increasing tendency in government to compete with private business in providing additional "in-house" participation at the expense of commercial opportunities, even at higher costs to the taxpayer. This is counter to the goals of Public Law 95-507, October 24, 1978, An Act to Amend the Small Business Act, and the Small Business Investment Act of 1958, which relates to government procurement for small business.

There are forces in government which oppose this policy and seek rather to expand the role of government in providing the services and products at the expense of small private business.

It's time to call a halt to the growing octopus of government and it's time to live up to the promises of aid to the small business sector.

OBSTACLES TO SMALL BUSINESS IN GOVERNMENT PROCUREMENT

The many obstacles to small participation in government procurement are the following:

Obstacle 1: Inadequate time allowed from the time of publication of bid notice to bid opening date;

Obstacle 2: Inadequate time allowed from time of publication of bid notice to closing date for honoring requests;

Obstacle 3: Nonavailability of bid sets;

Obstacle 4: Nonavailability of specifications;

Obstacle 5: Geographic limits on bidders locations;

Obstacle 6: Multiple definitions of size standards;

Obstacle 7: Rotation policies on bidders lists; and

Obstacle 8: Sole source procurement.

NSB experience in administering a procurement assistance program indicates that little, if any, progress has been achieved in overcoming these obstacles, although they have been called to the attention of Federal agencies and the Congress many times. As a matter of fact, the NSB records indicate that the eight obstacle conditions listed above have continued to multiply and get worse. The worsening conditions are mitigated only by the fine cooperation of the General Accounting Office (GAO), which is immediately responsive to protests which we, the NSB, file on behalf of our members. This recourse is, however, time consuming and costly. Our thanks, however, to the GAO.

There are, in addition, other obstacles to more competitive and small business participation in government procurement. These include:

1. Exclusion of nonappropriated funds from competitive bidding.
2. Noncompliance with Congressional intent. The Tennessee Valley Authority, for example, is not required to comply with procurement regulations except at a minimum. The TVA average bid notice published in the Commerce Business Daily allows less than 10 days for response. The Department of Labor usually requires bid request responses within five to 10 days. The U.S. Postal Service rarely specifies Small Business Set-Asides and usually lists a charge for bid sets and specifications.
3. The GSA is increasingly requesting a charge for bid specifications.
4. Geographic limits on bid participation are narrowing in spite of transportation improvements.
5. Small business set-asides are appearing less frequently.
6. Previous experience in actual performance of work for the government in the type of work specified is more often required. New participation is thus discouraged. This is especially prominent in Defense Department bids.
7. Extension of contracts for new work is more often reserved for current and previous contract performers, to the exclusion of new bidders, who may be able to deliver the product at a lower price.
8. "Sole Source" bid invitations are increasing.
9. Performance by "In-House Resources" is increasing at the expense of competitive bidding.

Not a single day goes by without obstructions, not only to small business participation in government procurement, but in the whole area of so-called "competitive bidding" in the public interest.

RECOMMENDATIONS

1. Each agency or contracting office should have a small business set-aside officer with specifically documented authority to monitor and establish set-asides for small business community. As it is today, the small business set-aside often appears to be a matter of happenstance or arbitrary decision—just barely conforming to federal procurement policies. Further, a greater number of small business set-asides should be established for all types of business.
2. A minimum length of time, at least 60 days, between the time a bid notice is published and the dates when both the requests for papers and the opening of bids are announced should be specified by Congress and adhered to by the agencies. All too often, as is evidenced almost daily in the Commerce Business Daily, the time allowances are intolerably and impossibly short. Surely, contracting officers do not run purchasing on an hourly basis, nor is the receipt of bids and their opening so critical that reasonable lengths of time cannot be given.
3. There is no rational reason why there should be a lack of bid sets or specifications. Geographical limits should be defined to include all potential bidders.
4. Contracting officers should be trained to overcome the obstacles to small business participation in government procurement by instituting a special course of instruction in the Federal Procurement Training Institute of the Office of Federal Procurement Policy. The course should be designed to instruct procurement officers in the benefits and importance of advancing the position of small business in the procurement market, as well as how to conform with official procurement regulations.
5. Set up a recognition and award system for federal procurement officers who succeed in reducing costs and expanding new contractor participation in an agency.

6. Require bid notices for contracts directed toward big business capabilities to include an estimate of the dollar amounts and percentage of anticipated small business subcontracting.

7. Greater utilization of "multiple awards" in order to expand the base for small business participation, e.g., tires, food, and other broad-based items. This is particularly important and consistent with the government's Defense Preparedness Program to assure alternate sources of essential supplies in the event of war or civil disaster. Dependence on sole-source procurements can be extremely dangerous.

8. The Congress should establish a percentage goal for small business set-asides, as well as minimum levels of contract awards to small business, both for general procurement and for Research and Development.

9. Increased use of FOB Origin in bid specifications, so as to minimize the need to calculate transportation charges for multiple destination deliveries.

10. Letter of justification for selection of higher price bid as compared with lower offers.

11. Require preparation of contract awards reports on the basis of product or service procured rather than listing awards by procuring agencies; e.g., total awards for painting and small business amount; total awards for food, machine parts, hardware, etc., and the amount of awards to small business.

For decades now, Administrations of both parties have promised small business a "fair" or an "adequate" share of Federal procurement. A firm minimum goal of 50 percent should be achieved by the end of 1981.

Federal Research and Development expenditure is even more concentrated against small business: less than 5 percent of the Federal total goes to small business. A fivefold increase in R&D share for small business should be achieved within the next four-year period.

Unless Congress and the Administration take positive steps to increase the small business share of government procurement, they, by inaction, are furthering the growth of giantism and the demise of small business in this country.

The Commerce Business Daily, in general, is a very difficult document to follow. It is designed in the format of the "Federal Register" rather than in the format of a usable business marketing working tool. It is poorly edited and printed. For example, "Live Animals" have been listed under "Ammunition" and "Medical Examination Tables" under "Construction and Mining Machinery." There are many other instances of time-consuming errata. Other than through the NSB Procurement Assistance Program (BEAM) and SBA PASS, the Commerce Business Daily is practically the only source for small business to learn of sales opportunities to government through the bidding procedures either directly or through NSB BEAM. The big companies do not rely on the Commerce Business Daily nor the U.S. Postal Service to maintain regular contact with contracting opportunities. The practice is to maintain an office in Washington adjacent to the contracting office for daily "liaison" on procurement potentials and contract matters. As a matter of fact, the really big companies generally maintain three offices in the Washington area: one usually in the commercial center of town in the vicinity of the Executive Departments; one in Virginia near the Defense establishment and one in Maryland near NASA, ERDA, HHS and other agencies.

There is a need for a Market Planning Approach to solicitation of bids for federal procurement to increase competition and innovate more small business participation. The following are suggested keys to marketing.

1. Identify the product or service solicitation by four-digit SIC.
2. List the applications of the product.
3. Measure the size of the market quantitatively.
4. Locate the markets geographically, identifying large and small business separately.
5. Prepare county market data sheets for products in terms of numbers of companies available for solicitation.
6. Identify specific potential bidder companies by name and solicit these companies directly and add additional names as they become known.
7. Prepare and make available a short-term, six months and, where applicable, a long-term forecast of government requirements for products and services from the private sector including both large and small businesses.

Mr. LaFalce. Mr. Director, I know you have been mercifully brief in your verbal presentation, but I have to comment that your prepared statement is truly excellent.

You, in a very orderly fashion, a thorough fashion, point out the obstacles to small business participation in Government procurement, especially involving the Commerce Business Daily. We are going to have the publisher of Commerce Business Daily with us next week. A great many of your recommendations will be discussed with him. Every one of your recommendations, as a matter of fact, will be discussed with the various Federal agencies that come before us.

I will want each of them to comment regarding the feasibility of implementing all your suggestions.

So I want you to know that even though you were very, very brief because this morning's hearings have gone so long, your testimony is not for naught.

It is going to be very, very valuable to us next week and very helpful.

I have no further questions.

Mr. Weber?

Mr. Ed Weber. Yes. I have a few questions. It won't take too long.

Ms. Dickerman, you stated that the Department of Defense had undercut the Cost Accounting Standards Board by requiring certain kinds of accounting procedures, but how costly are those accounting procedures that they mandate?

What kinds of procedures do they mandate that business would not otherwise be using?

Ms. Dickerman. They are not in common use. They have been adopted, of course, by all weapons systems contractors because of the CAS Board.

They are very complex, very costly. I could commend them to your attention. They are so complicated that they barely bear talking about without attention.

Mr. Ed Weber. I see. It does appear to me under the equitable adjustment clause, if they are going to go back and adjust based on a contractor's costs, they need to have—they need to be dealing with a contractor who has good accounting records, it seems to me.

Ms. Dickerman. The cost account standards are consistency in accounting standards having to do with the consistent way in which one handles certain costs in GNA, certain home expenses and the like.

They apply to all contractors, the ones in section 15, how you handle cost of materials, labor, GNA, and the like.

No Government contractor gets his first award until he has passed that kind of surveillance in the preawards survey.

Mr. Ed Weber. If I understand you correctly, you are saying that these accounting standards are not justified by the fact that we may have equitable adjustment under——

Ms. Dickerman. No; we have section 15 cost accounting principles which are necessary to all procurement and to the whole procurement process. How one handles the vacation salary of one's chief executive, if he takes a day off to play golf, that is the kind of thing in the Cost Accounting Standards Board and is not really necessary to the procurement process.

Mr. Ed Weber. Thank you.

I had one question for Mr. Director.

On page 2 of your testimony you refer to something that I am not acquainted with.

There has been an increasing tendency in government to compete with private business in providing additional in-house participation at the expense of commercial opportunities.

Would you mind explaining what that means?

Mr. **Director**. Well, there are many cases, for example, where the Government has contracted for laboratory services, for example, or for janitorial custodial services. They decided maybe on an Army post, they can do it with in-house personnel by maintaining Government employees on the roster to perform those duties, in which case they will cancel the contract and decide to do it inhouse.

In our findings, in those cases, they usually are. It costs the Government a great deal more. We have those fairly well documented.

Mr. **Ed Weber**. Is the Government engaging in any kind of manufacturing activity to your knowledge?

Mr. **Director**. Yes. The Government does participate in manufacturing activities.

Mr. **Ed Weber**. What types of products?

Mr. **Director**. The Government operates many arsenals, gun factories, printing plants, and other facilities which are listed by the U.S. Census as manufacturing establishments. Federal Prison Industries also operate manufacturing plants.

Mr. **Ed Weber**. Do you feel that that is a costly exercise by the Government also?

Mr. **Director**. There have been many reports by the General Accounting Office and other sources which have indicated that in virtually 7 out of 10 cases that the cost of doing it in-house is far more expensive than the cost of private contracting.

It stands to reason that that would be the case, essentially because of the overhead costs and the high costs of Federal employment, pensions, and so on.

Mr. **Ed Weber**. What does it mean, exclusion of nonapproriated funds from competitive bidding, on page 3? You list that as an obstacle to more competitive and small business participation.

Mr. **Director**. In many cases, where you have officers' clubs or post exchanges and so on, where the dues that are paid are used as the basis for procurement, the procurement may not be under the Government procedures for acquisition or procurement.

They have, for example, a bid out for go-go dancers in Fort Hood, Tex. I don't know how you can justify that as a direct acquisition by Government.

The Government can buy any product, man or beast—it makes no difference what it is. Anything from apples to atoms or spinach to spaceships. It can be from natural or divine origin.

Divine origin would include prayer books, chaplains' services. There is no limit to what you can get involved in here.

Mr. **Ed Weber**. Thank you, Mr. Chairman.

Mr. **LaFalce**. Ms. Dickerman, one question. I understand that you have been known to make the statement that you are very concerned about the lack of independence that seems to be developing within the Office of Advocacy.

Ms. **Dickerman**. That is right.

Mr. **LaFalce**. Could you comment on that for me, please?

Ms. DICKERMAN. As Mr. Seidman pointed out in his answers, responses to some questions this morning on the Office of Advocacy—it is imperative that the Office of Advocacy be an independent force, since the Office of Advocacy was designed to be the one place where small business could go and joust with, where necessary, any Government agency including the SBA.

I have had occasion to work with the Office of Advocacy. There is no chief counsel there at the moment, but I have great concern that that independence, that autonomy, can be lost.

If it is lost, then the whole purpose of the Advocacy Act will be gone.

We will have simply—then we will have truly something—we will have redundant agencies, more people, and nothing fruitful accomplished. It is a matter of great concern early on.

Since our last chief counsel left, it has not been a matter of a great deal of time. It is a matter of great anxiety.

Here again there is a grave concern over the lack of implementation of the staffing, of the enforcement of that law, because that which could be so marvelous will not be if it is not implemented.

We are talking about the implementation of very good laws. If the independence of the advocate is lost, it will be a terrible shame.

Mr. LAFALCE. I want to thank you very much.

[Mr. Atkinson submitted the following letter for insertion in the hearing record:]

EUGENE V. ATKINSON
25TH DISTRICT, PENNSYLVANIA

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WASHINGTON, D.C. 20515
(202) 225-2565

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PUBLIC WORKS AND TRANSPORTATION
GOVERNMENT OPERATIONS
SELECT COMMITTEE ON AGING

Congreſs of the United States
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July 14, 1981

Honorable John J. LaFalce
Chairman, Subcommittee on General Oversight
2361 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman LaFalce:

I would like to submit this letter from Mr. Michael Baker 111, Chief Executive Officer of Michael Baker Jr. Incorporated Engineers and Surveyors for the hearing record of the Subcommittee on General Oversight. Mr. Baker's letter reflects the problems and concerns of small business throughout th United States. This letter outlines the difficulties small businesses face in their attempts to remain competative in the free market economy. Michael Baker Jr. Incorporated Engineers and Surveyors is a very important part of the business structure in the 25th District. It is with these facts at hand that I submit the following testimony for the committee's records.

Sincerely,

Eugene V. Atkinson
Member of Congress

EVA/jm

MICHAEL BAKER, JR., INC.
ENGINEERS AND SURVEYORS
4301 DUTCH RIDGE ROAD
BOX 280 - BEAVER, PA 15009
412-495-7711

June 18, 1981

Honorable Eugene Atkinson
412 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Atkinson:

We understand the Congressional Sub-Committee on Small Business will shortly be holding hearings on Public Law 95-507 entitled "Government Procurement from Small and Disadvantaged Business." Due to the considerable impact of the Act on the engineering profession, we appreciate this opportunity to express our genuine concern on the present definition of the "small" engineering firm as promulgated by the Small Business Administration.

Under the present Code of Federal Regulations, a small engineering firm is "any concern bidding on a contract for engineering services other than marine engineering services is classified as small if its average annual receipts for its preceding three fiscal years do not exceed $7.5 million." 13 CFR Section 121.3(e)(1). The parameter for a small engineering firm as set out in the code effectively encompasses the vast majority of architectural/engineering firms in the continental United States. Surely this was not the intent of the legislation and merely defeats the purpose of the Act.

The results of the annual census conducted by the Consulting Engineer magazine (C.E.) in June 1980, clearly illustrates the inequities of the present definition. Of the almost 11,000 firms examined by C.E., nearly 90% can be classified as "small" given the SBA's definition. Only 5.8% clearly fall outside the present parameter of billings of over $7.5 million/year, with the remainder being borderline firms. There is an obvious incongruity here as the majority rather than the minority make up the "small" category.

The purpose and function of the SBA is "to aid, counsel, assist and protect the interests of small business concerns. . ." 13 CFR Section 101.1. This purpose is not being fulfilled by the present set-asides. We wish to present several positive recommendations for your evaluation on this matter. They are as follows:

Honorable Eugene Atkinson
Page Two
June 18, 1981

1. Small engineering concerns should employ less than 30 employees or billings for preceding three years not to exceed $3.0 million.
2. Procurement for A/E services having an anticipated design fee of $100,000 or less should be set-aside except where requirements necessitate skills beyond capabilities of small firms.
3. Procurements for A/E services with design fees exceeding $100,000, both large and small firms compete on an equal basis.

An expression of concern on your part to the sub-committee will be needed for support in remedying the present situation. We would appreciate all recommendations or suggestions from you on this matter.

Sincerely yours,

MICHAEL BAKER, JR., INC.

Michael Baker, III
Chairman of the Board
and Chief Executive Officer

MB,III/wpc

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Gov Procurement S B Bill

Mr. **LaFalce**. I really believe that today's hearings have presented the problem that is faced by the small business community in accessing Government procurement opportunities most vividly, most explicitly. All the witnesses have been excellent. All have provided us with insights into this process that will enable us to give very detailed cross-examination to the representatives of the Federal agencies when they appear before us next week.

Next week on Tuesday we will be having a representative from the Department of Commerce, the publisher of Commerce Business Daily.

We will also have the Administrator of the General Services Administration, Mr. Carmen; the Administrator of SBA, Mr. Cardenas; and the Administrator-designate of the Office of Federal Procurement Policy.

On Thursday we will devote the entire hearing to the Department of Defense who will be represented by the Under Secretary, Dr. De Lauer.

I really think that we will have the primary Federal agencies with responsibility for Government procurement before us and today's testimony will be invaluable in making next week's hearings most fruitful. For that we thank you very much.

[Whereupon, at 1:45 p.m., the subcommittee adjourned, to reconvene at 10:30 a.m., Tuesday, June 23, 1981.]

[Office of Federal Procurement Policy submitted the following comments on testimony held during the June 18, 1981, hearing:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

JUL 30 1981

Honorable John J. LaFalce
U.S. House of Representatives
Washington, D.C. 20515

[illegible]
JUL 31 1981

Dear Congressman LaFalce:

This is an interim response and progress report supplying certain of the information requested at the Small Business Oversight Subcommittee Hearing on June 23, 1981. We plan to have the balance of the material to you by August 20th. The information to be provided later, for the most part, contains our comments on the testimony of the seven individuals who appeared before you on June 18, 1981. We are including in this letter, however, comments on some of the June 18 testimony.

The following is enclosed in this interim report:

1. System Scoping Paper for the new Federal Procurement System and a list of the sixteen Task Groups working on the new System.
2. A list of the small business associations with which OFPP works.
3. OFPP issuances relating to small and minority business (P.L. 95-507) and the labor surplus area program. (OFPP Policy Letter 80-2 and supplement no. 1, thereto; OFPP Policy Letter 80-6; and OFPP Policy Letter 81-2).
4. OFPP comment on testimony by Donald Checki, Director, New York City Labor Surplus Area Outreach Program.
5. OFPP comment on testimony of Mr. Patrick Lee, Endine Incorporated, Buffalo, N.Y.
6. OFPP comment on testimony of Mr. Terrence E. Ford, Gould Ocean Systems Division.
7. OFPP comment on testimony of Dr. Gail Schwartz

The edited transcript, as requested, was earlier returned to your office.

Sincerely,

Donald E. Sowle

Donald E. Sowle
Administrator

Enclosures

DEVELOPMENT
OF A
NEW FEDERAL PROCUREMENT SYSTEM

System Scoping Paper

Office of Federal Procurement Policy

July 8, 1981

I. Purpose of This Paper

This paper is the initial scoping document in the project to develop the three products associated with a new Federal procurement system; namely, proposals for the procurement system, management system, and legislation. It describes the project in terms of mandate, terminology, and project thesis. This paper also provides a listing of the fundamental assumptions, objectives, principles, and design features to consider in developing the new procurement system, as well as a concept of operations upon which the System will be based.

II. Project Mandate

Public Law 96-83, "The Office of Federal Procurement Policy Act Amendments of 1979" directed OFPP, as its first priority, to develop a uniform, comprehensive and innovative procurement system for use by Federal agencies.

The law requires that an initial proposal for such a system be provided to the Congress by October 1980 and that, by October 1981, legislative and management proposals for implementing the new procurement system be provided. The proposal for a Uniform Procurement System which was submitted to the Congress on October 27, 1980, will be considered as an initial effort and will serve, primarily, as a vehicle to elicit the views of Congress, the procurement community, and other interested persons. It will also serve as a useful foundation block in the development of a final procurement system proposal, to be developed in concert with the legislative and management proposals and submitted to the Congress in October 1981. Relevant excerpts from P.L. 96-83 are appended as Appendix A.

III. Project Terminology

To differentiate this effort from what has gone before and to allay concerns raised by the use of terms which suggest a procurement system that is inflexible and centrally operated, the terms "uniform" and "central" in relation to the procurement system to be developed will be discontinued. (Since a management system has both centralized and decentralized aspects, emphasizing either could cause misunderstanding.) The system will be referred to, simply, as the New Federal Procurement System. The management system will be referred to without modifier and will be considered to be a part of the new procurement system. For purposes of this paper, the terms "procurement" and "acquisition" are used synonymously.

IV. Project Thesis

The proposed procurement system, management system and supporting legislation are integral parts of a new, comprehensive and creative approach on how the Federal Government acquires goods and services of all types (e.g. research and development, major systems, commercial products, professional services and all other categories of things and ideas acquired to meet Government needs). The proposals will encompass the entire procurement process but will not address logistics except as logistics interfaces with the procurement process. Appendix B reflects, in the form of a flow diagram, those major functions which are encompassed by the procurement process. However, the process, as depicted in Appendix B, is generic and must be tailored to meet the procurement requirements associated with the acquisition of such dissimilar products and services as construction, research and development, services, commercial products, and data processing services. (Several such tailored processes are also depicted in the Appendix.)

The hallmarks of the new approach, to be reflected in each of the three principal proposals, will be four themes which promote responsiveness to agency missions, increased agency productivity, and fair business relationships. These are: (1) a simplified system -- both timely and responsive (i.e., fast track); (2) increased latitude for personal initiative and judgment with emphasis on professionalism, responsibility, and accountability; (3) more meaningful competition with latitude for innovative low cost solutions; and (4) uniform policy and improved management with needed operational flexibility. While the newly designed systems may include some of what exists today, the new design will disregard existing biases and start anew. The comprehensive reform effort mandated by the Congress requires an uninhibited approach to, and creative solution of, any burdens and inefficiencies associated with the Federal procurement process as it now exists.

The three proposals will be developed in an integrated fashion so that each provides support to the other and so that the objectives of the system can be furthered in each of them. The proposed legislation will be the baseline from which all procurement policies will emanate and all policies will be consistent with the legislative base.

V. Assumptions

The following fundamental assumptions are posited as guidelines in the development of the system:

(1) Procurement is a function which supports an agency mission; it is not an end in itself;

(2) As a support function, procurement does not encompass mission analysis or supply functions. However, the procurement system must be designed to clearly interface with those functions and influence the manner in which needs are expressed;

(3) Procurement decisions will be made by properly authorized and designated procurement officials;

(4) The System must be sufficiently flexible to serve Federal needs for at least the next several decades;

(5) Mechanisms and processes for developing and implementing individual substantive issues will be provided in the System, but solutions to such issues will not be offered;

(6) Procurement operations in the executive branch will continue to be decentralized and conducted by the departments and agencies now performing these operations;

(7) Consistency in procurement policy and regulation is essential for economy and effectiveness in Federal procurement and reduced burdens on the private sector;

(8) Optimum performance of procurement responsibilities is contingent upon a well-trained, experienced and motivated work force;

(9) Fair and equitable dealings between the Government and the private sector are essential to a productive relationship; and

(10) National goals of a non-procurement nature will continue to be pursued, in part, through the Federal procurement process.

VI. System Objectives

The fundamental goals and purposes of the System are reflected in the objectives listed below. Each objective will be addressed to some degree, in each of the three proposals. The following table, however, indicates which proposal or proposals will primarily address each objective (P) and which will do so secondarily (S).

		Proc. Sys.	Mgmt. Sys.	Legis Prop.
(1)	Promote effective competition.	S	S	P
(2)	Promote fair dealings and equitable relationships with the private sector.	S	S	P
(3)	Provide clearly established authorities, responsibilities and accountabilities.	S	S	P
(4)	Develop and maintain a professional, competent, ethical, and properly motivated procurement work force.	S	P	S
(5)	Promote the responsiveness of procurement by simplifying, streamlining, and making procurement processes and programs more uniform.	P	S	S
(6)	Accommodate emergency and wartime as well as normal and peacetime requirements.	P	S	P
(7)	Promote procurement efficiency, effectiveness and economy within and outside the Government.	S	P	S
(8)	Promote greater reliance on the private sector and support the necessary industrial base to meet Government needs.	P	P	P
(9)	Provide adequate controls for centralized policy making and decentralized and flexible operations.	S	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
(10) Provide for compatibility with other support (budget, logistics, etc.) processes and programs.	S	P	S

VII. System Principles and Features

Each of the objectives listed above reflects a very broad goal to be achieved through development and implementation of the new procurement system. This section will delineate, within each of those objectives, the associated system principles or criteria which will help to achieve, and serve as the means of achieving, those objectives. Those principles, moreover, are further delineated by listing each of the desirable features or characteristics that should be considered for incorporation into the System. To summarize, the System will be founded upon a series of objectives. Each of those objectives will be related to specific principles or criteria which will serve as the theoretical basis for achieving objectives. Each of those principles will be further defined in terms of specific features. System principles and features, thus far identified for each objective, are as follows:

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
OBJECTIVE NO. 1: PROMOTE EFFECTIVE COMPETITION.			
a. Principle: Needs will be specified in a form that permits effective competition and innovation.	P	S	P
b. Principle: The extent of competition will be based on the particular requirement. The system will not mandate the soliciting of all sources for every procurement.	P	S	P
c. Principle: As a means of promoting competition, competitive negotiations will be given the same status as formal advertising.	P	S	P
OBJECTIVE NO. 2: PROMOTE FAIR DEALINGS AND EQUITABLE RELATIONSHIPS WITH THE PRIVATE SECTOR.			
a. Principle: Procedures will ensure expedited and responsive pre- and post-contractual remedies to balance the interest of the Government and its contractors and to reduce antagonisms.	S	S	P

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
b. Principle: Disruptive effects of Government procurement on particular industries, businesses, areas and occupations will be minimized.	P	P	S
c. Principle: Allocation of risks will be recognized and fee opportunities will be commensurate with those risks.	P	S	P
d. Principle: Effective administrative debarment and suspension procedures will be provided.	S	P	S
OBJECTIVE NO. 3. PROVIDE CLEARLY ESTABLISHED AUTHORITIES, RESPONSIBILITIES, AND ACCOUNTABILITY.			
a. Principle: Procurement managers will be selected on the basis of their qualifications inthe procurement field and will be held accountable for achieving timely results and for the quality of the procurement actions for which they are responsible.	S	P	S
Feature: The contracting officer's role will be codified in legislation.	S	S	P
b. Principle: Procurement authority will flow from the agency head to the heads of procuring activities and to individually designated contracting officers.	S	P	S
Feature: Excessive oversight will be reduced by eliminating unnecessary checks and balances.	S	P	S
Feature: Organizational placement of the procurement function within agencies will be at an appropriate level to assure effective management of this function.	S	P	S
Feature: Procurement authority and responsibility will be established at the lowest possible organizational operating levels with accountability for results.	S	P	S
Feature: The procurement function will be provided sufficient authority to implement the new procurement system.	S	P	S
Feature: Procurement authorities delegated to contracting officers will be supported with checks and balances that will facilitate but not burden the System.	P	P	S

		6	
	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
c. Principle: The System will take into account the capabilities and needs of small agencies.	P	S	S
Feature: The System will assign responsibility to develop procurement implementation policies to a lead agency which can tailor such policies for small agency use.	S	P	S
d. Principle: The procurement roles of OMB and the procurement offices in the agencies will be clearly defined.	S	P	P
Feature: The Federal Acquisition Regulation (FAR) will be prescribed for use by all Executive Branch agencies.	S	P	P
Feature: The FAR Council will be codified in legislation and a mechanism for appeal to the OMB Director will be provided.	S	S	P
Feature: Interagency procurement committees will continue to be available for the exchange of ideas and resolution of problems.	S	P	S
Feature: OMB will be involved in organizational placement decisions relating to the acquisition function.	S	P	S
e. Principle: Adequate interfaces will be established with other functional and management areas of Government, and procurement positions will be articulated on cross-cutting issues which may affect Federal procurement.	S	P	S
Feature: The stature of procurement as part of the agencies' management team will be raised.	S	P	S
OBJECTIVE NO. 4: DEVELOP AND MAINTAIN A PROFESSIONAL, COMPETENT, ETHICAL, AND PROPERLY MOTIVATED PROCUREMENT WORK FORCE.			
a. Principle: Proper recruitment, education, career development, training, performance evaluation and incentive programs will be established.	S	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
Feature: Procurement training will be provided for all Federal contracting employees to ensure a competent, professional and informed workforce.	S	P	S
Feature: A structured system of training and promoting personnel will be established.	S	P	S
Feature: The Federal Acquisition Institute will continue to set professional, training, and education standards, oversee Government-wide training, and promote contracting officer warrant systems for qualified individuals.	S	P	S
Feature: Updating procurement/contracting classification standards will be given high priority.	S	P	S
Feature: Training programs will be provided to facilitate the timely implementation of new policy directives.	S	P	S
b. Principle: Insofar as possible, reliance in decisionmaking will be placed on competent people rather than on rules and regulations.	S	P	S
Feature: A cadre of procurement professionals will be developed who can exercise individual judgement and initiative with a minimum of regulations.	S	P	S
Feature: Reliance will be placed upon work force performance and accountability rather than regulation.	S	P	S

OBJECTIVE NO. 5: PROMOTE RESPONSIVENESS OF PROCUREMENT BY SIMPLIFYING, STREAMLINING, AND MAKING PROCUREMENT PROCESSES AND PROGRAMS MORE UNIFORM.

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
a. Principle: Organizational and regulatory layering will be minimized, unnecessary paperwork eliminated and administrative lead times will be reduced.	P	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
Feature: Requirements for documentation requirements will be reduced to the minimum commensurate with the need for accountability.	P	S	S
Feature: The volume of acquisition policies, regulations, and procedures will be minimized.	P	P	S
Feature: Standard contracts, formats, clauses, provisions and forms will be used, whenever possible.	P	P	S
b. Principle: Unnecessary, overlapping or duplicate procurement and related activities will be eliminated.	S	P	S
Feature: Cross servicing programs for field contract support will be expanded.	S	P	S
c. Principle: One Government face will be presented to industry and unnecessary or redundant requirements placed on contractors will be eliminated.	P	S	S
Feature: Commercial procurement practices will be followed to the extent possible in Federal acquisition.	P	S	S
Feature: A more consistent series of contract management procedures (e.g., uniform cost principles) will be provided.	P	P	S
d. Principle: A cost effective, comprehensive and responsive system of integrated processes and subsystems will be established covering the entire procurement process, including interfaces with other related functions.	P	S	S
Feature: Tailored procurement processes will be used in acquiring homogeneous categories of supplies, systems, and services. (See also Section VII.7.3.)	P	S	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
e. Principle: The existing system of differing acquisition regulations will be consolidated into a single unified primary regulation, to be followed by all agencies and to be a single reference for suppliers.	S	S	P
Feature: The FAR will be developed, as planned, to provide simple, clear and uniform policies and regulations.	S	P	S
Feature: The FAR will be sufficiently flexible to accommodate unique agency needs.	S	P	S
f. Principle: A single procurement statute will be enacted for the executive branch.	-	-	P
Feature: The statute will provide essential authorities and fundamental concepts.	-	-	P
Feature: The statute will permit the development of tailored processes for special categories of procurement and periodic adjustments of dollar thresholds. (See also Section VII.7.e.)	-	-	P
Feature: The statute will supersede, to the extent possible, existing statutory provisions impacting procurement.	-	-	P
Feature: The statute will provide that any new legislation affecting procurement will be codified in Title 41 of the U.S. Code.	-	-	P

OBJECTIVE NO. 6: ACCOMMODATE EMERGENCY AND WARTIME AS WELL AS NORMAL AND PEACETIME REQUIREMENTS.

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
a. Principle: Procurement policies will reflect and respond to the national security and other national interest as directed by the President and the Congress.	P	S	P
Feature: The unique nature of foreign purchases for overseas use and the status of international agreements will be recognized.	S	S	P

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
Feature: Immediate contractor response must be provided during times of national emergency.	S	S	P
Feature: Flexible procurement management alternatives will be made available for use during times of national emergency.	S	P	S
Feature: Industrial base preparedness will be addressed.	P	S	P
OBJECTIVE NO. 7: PROMOTE EFFICIENCY, EFFECTIVENESS, AND ECONOMY WITHIN AND OUTSIDE OF GOVERNMENT			
a. Principle: User needs will be met primarily from the private sector unless assets (products, systems) are already in Government possession.	P	P	S
Feature: In the process of identifying needs for products, systems, or services, early interface will be required between procurement managers and other interfacing functions.	P	P	S
Feature: Procurement and logistics interfaces to ensure maximum use of existing Government assets will be established.	S	P	S
Feature: Commercialization of new technology and techniques will be facilitated.	S	P	S
b. Principle: Redundant procurements will be eliminated.	P	P	S
Feature: A system of coordinated procurement of items or commodities by one agency will be applied.	P	P	S
c. Principle: Advanced agency procurement planning and the development of acquisition strategies will be required.	P	P	S
Feature: To the extent feasible, spending (obligations) will be controlled to prevent surges during the fiscal year.	S	P	P
Feature: Time phased plans for agency procurements during the fiscal year will be developed.	S	P	P
Feature: Market research and analysis will be emphasized to improve the Government's knowledge of the marketplace and to assist in developing acquisition strategies to fit the particular marketplace.	P	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
Feature: Continuity of contractor efforts during sequential contract phases will be a primary consideration.	P	S	P
d. Principle: Commercial or modified commercial products and services will be provided and delivered through commercial channels in lieu of Government unique products, services, and distribution when such action will adequately satisfy Federal mission needs.	P	P	P
Feature: More effective development, management and use of product descriptions will be emphasized.	P	P	S
Feature: A simplified procurement process for commercial products will be applied.	P	P	S
e. Principle: The generic procurement process will be tailored to meet the needs of the Government for products, systems, and services, and the type of marketplace.	S	P	S
Feature: The type of products, systems and services to be acquired will be reviewed to identify the extent tailoring is required of the generic process; e.g., R&D, major systems, other commodities, ADPE, construction (public buildings), personal services, non-personal services (Coincident with feature in Section VII. 5.d. and 5.f.)	S	P	S
f. Principle: Policies, regulations, and procedures will require that property and services of the requisite quantity and quality be acquired within the time needed at the lowest reasonable total cost.	P	S	S
Feature: Total cost will be used whenever feasible, as the basis for procurement decisions.	P	P	S
Feature: Procurement and logistics will interface to establish the cost elements required for total cost evaluations.	S	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
g. Principle: Effective data collection and reporting systems will provide procurement management with accurate and timely information.	S	P	S
Feature: Procurement management review techniques will be included in the System.	S	P	S
Feature: Information systems for policing procurement practices, system oversight, maintenance and research will be provided.	S	P	S
h. Principle: To minimize the potential for fraud and waste, the regulation system will include adequate controls, checks and balances, and will provide for contracting officer responsibility and accountability.	S	P	P
i. Principle: All officials involved with the procurement process, including supply and quality personnel, will be governed by a code of ethics. (See: Features under Objective 4.)	S	P	S
OBJECTIVE NO. 8: PROMOTE GREATER RELIANCE ON THE PRIVATE SECTOR AND SUPPORT THE NECESSARY INDUSTRIAL BASE TO MEET GOVERNMENT NEEDS.			
a. Principle: The private sector will be the primary source of products and services required for Federal missions.	P	P	P
Feature: When in-house performance is feasible, Government commercial and industrial type activities will be subject to cost studies using firm bids to determine the most economical source of performance.	S	P	S
Feature: Government duplication of private sector capabilities will be minimized.	P	S	S
Feature: Reliance on the private sector will be increased by improving Government knowledge of the marketplace.	P	S	S
Feature: The entry and maintenance of small business suppliers in the Federal marketplace will be assisted.	P	S	S
b. Principle: Technology advancement, industrial innovation, new ideas and research will be promoted.	S	S	P

OBJECTIVE NO. 9: PROVIDE ADEQUATE CONTROLS FOR CENTRALIZED POLICYMAKING AND DECENTRALIZED, FLEXIBLE OPERATIONS

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
a. Principle: Policies and regulations will be structured to accomplish the dual objectives of central policy control and decentralized, flexible agency operations.	S	P	S
Feature: Fundamental policies and authorities governing the Federal procurement process will be established by Congress and the President.	S	P	P
Feature: Within the framework provided by Congress and the President, the Administrator will have authority for exercising primary procurement policy leadership through the issuance of procurement policy directives.	S	P	P
Feature: Procurement regulations will be developed and issued in accordance with Principle b, below. Such regulations will be reviewed on a selective basis by the Administrator to assure consistency with the law, policy directives issued by the Administrator, and system objectives and principles. The Administrator's actions to disapprove regulations may be appealed to the Director, OMB.	S	P	P
Feature: The Administrator will be responsible for oversight of executive branch regulations implementing procurement policy directives issued by the Administrator to ensure the efficiency and effectiveness of such policy directives and regulations. Day-to-day enforcement of such policy directives and regulations will be the responsibility of the heads of departments and agencies.	S	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
Feature: Such oversight will utilize all available information resources (e.g., reports of the Comptroller General, inspectors general and internal audit organizations, industry association, contractor and public feedback data; the budget review process; and procurement management information systems - such as the Federal Procurement Data System.)	S	P	S
Feature: Corrective action with the agencies will be taken by the Administrator directly or through the Director, OMB. The Administrator may not interfere with agency determinations of specific actions in the award or administration of contracts.	S	P	S
Feature: The Administrator will be the principal official within the executive branch in interfacing with Congress in major procurement policy matters and in coordinating and overseeing the development of proposed legislation affecting procurement.	S	S	P
Feature: Through the FAI, the Administrator will promote and oversee government-wide programs of procurement research, recruitment, education, training and career development, and performance evaluation, and will interface with the academic community.	S	P	S
b. Principle: Heads of executive departments and agencies will continue to be responsible for agency procurement operations and for managing and organizing agency procurement activities, within the constraints of policy and regulatory consistency directed by the Administrator.	S	P	P
Feature: Heads of executive departments and agencies will have authority to (i) develop operational policies and regulations, in coordination with the interagency council, to address unique statutory or operational requirements; and (ii) to develop necessary procedures to implement -- but not duplicate -- policies directives issued by the by the Administrator or government-wide implementing regulations issued under the cognizance of the interagency council;	S	P	S

	Proc. Sys.	Mgmt. Sys.	Legis. Prop.
Feature: An interagency council, established in law and consisting of senior Federal procurement officials, will be responsible for the development and issuance of Government-wide procurement regulations, in accordance with the regulatory system to be established by the Administrator. Regulations issued by the council will be subject to selected review and approval/disapproval by the Administrator, in accordance with the criteria and appeal procedures in Principle a, above.	S	P	S
Feature: Heads of executive departments and agencies will be responsible for implementing policies issued by, and regulations approved by, the Administrator, and for evaluating performance of their agencies;	S	P	P
Feature: Consultative mechanisms will be made available to assist in resolving the operational problems of individual agencies;	S	P	S
Feature: Agency personnel will assist the Administrator in the development of broad procurement policies and regulations by participating as members of interagency policy groups and leading the development of policies and regulations in assigned areas;	S	P	S
c. Principle: Public participation in the development of procurement policies and regulations, as well as public access to procurement-related documents and records, is essential to a procurement system which is responsive to the needs of all its participants.	S	P	P
OBJECTIVE NO. 10: PROVIDE FOR COMPATIBILITY WITH PROGRAM AND OTHER SUPPORT (BUDGET, LOGISTICS, ETC.) PROCESSES.			
a. Principle: The procurement policies and programs of individual agencies will be coordinated with such supporting functions as supply, budget, accounting, and financial management to assure compatibility between procurement and other functions.	S	P	S

VIII. System Concept of Operation

General. The system will encompass and govern all appropriated fund procurement conducted by executive departments and agencies -- except for the acquisition of real property in being. The system will include the (1) legislation, policies, regulations and procedures that govern procurement processes; (2) procurement processes, themselves; (3) personnel, financial and organizational resources and activities engaged in procurement; and (4) management and management support programs necessary to plan, direct, organize, control, evaluate, and improve performance of procurement operations.

Specific Chacteristics.

Operating characteristics of the system are, as follows:

A. Policy Development and Oversight

(1) Fundamental policies and authorities affecting the Federal procurement process will be established by the Congress.

(2) Within the framework provided by the Congress and the President, the Administrator for Federal Procurement Policy (Administrator) will have authority to, and will be accountable for, exercising primary procurement policy leadership through the issuance of procurement policy directives. More effective competition will be a fundamental consideration in the development of such policies. Major policies will be developed and issued utilizing the lead agency development concept, after consultation with the appropriate committees of Congress, and after solicitation of the views of executive agencies and other interested parties. Policies issued by the Administrator may be appealed to the Director, OMB.

(3) The Administrator will be responsible for oversight of executive branch regulations implementing procurement policy directives issued by the Administrator, to insure the efficiency and effectiveness of such policy directives and regulations. Day-to-day enforcement of such policy directives and regulations will be the responsiblity of the heads of departments and agencies.

(4) Procurement regulations will be developed and issued in accordance with B(3) and B(4) below. Such regulations will be reviewed on a selective basis by the Administrator, prior to their becoming effective, to assure that they are consistent with, and in furtherance of, (a) the law, (b) policy directives issued by the Administrator, and (c) the objectives and principles of the New Federal Procurement System. The Administrator's actions to disapprove regulations may be appealed to the Director, OMB.

(5) In carrying out his oversight responsibility, the Administrator will utilize reports of the Comptroller General, Inspectors General, agency internal audit organizations, industry associations, contractor and public feedback data, as

well as data produced by the procurement management information system. As warranted by perceived abuses or inefficiencies, the Administrator's efforts to correct procurement deficiencies and improve performance will be conducted directly or through the Director of OMB.

(6) The Administrator will serve as the principal official within the executive branch in interfacing with congressional committees in major procurement policy and regulatory matters and will coordinate and oversee the development of proposed legislation affecting procurement.

(7) Through the Federal Acquisition Institute, the Administrator will promote and oversee Government-wide programs in procurement research, recruitment, education, training, career development, and performance evaluation and will interface with the academic community on these matters.

B. Policy Implementation and Operations

(1) Within the constraints of policy and regulatory consistency directed by the Administrator, heads of executive departments and agencies will continue to be responsible, under their organic legislation, for the conduct of procurement operations.

(2) Heads of executive departments and agencies will be responsible for managing and organizing their procurement activities and for implementing poliy directives issued by, and regulations approved by, the Administrator, provided that the procurement function is permitted direct access to the agency head or a specifically designated acquisition executive who will have official agency accountability for implementation of procurement policy and regulatory issuances. Only warranted contracting officers will have authority to obligate the Federal Government to contracts.

(3) An interagency council, established in law and consisting of senior Federal procurement officials, will be responsible for the development and issuance of Government-wide procurement regulations, in accordance with the regulatory system to be established by the Administrator. The Council will solicit the viewpoints of interested parties in the development of such regulations, in accordance with criteria prescribed by the Administrator. Council membership, in addition to OFPP, will consist of permanent representation from major procurement departments and agencies and revolving representation from other departments and agencies, with council chairmanship duties assigned on a revolving basis among permanent department and agency members. Regulations issued by the council will be subject to selected review and approval/disapproval by the Administrator, in accordance with the criteria and appeal procedures in Item A(3), above.

(4) Heads of executive departments and agencies will have authority to develop (i) procurement policies and regulations, in coordination with the interagency

council, to address unique statutory or operational requirements; and (ii) procedures necessary to implement -- but not duplicate -- policy directives issued by the Administrator, or Government-wide implementation regulations issued under the cognizance of the interagency council. Regulations and policies issued by the executive departments and agencies will be subject to review by the Administrator in accordance with the criteria and appeal procedures in A(3) above.

(5) Personnel of executive departments and agencies will participate in the development of executive branch procurement policies and regulations by (a) serving as members of the interagency council and (b) leading or serving as members in the development of policies and regulations in assigned areas.

APPENDIX A

LEGISLATIVE CHARTER

I. The requirement for development of a new Federal Procurement System is contained in P.L. 96-83, as reflected in the following excerpts:

Section 6

(a) The Administrator shall develop for submission under section 8(a) a uniform procurement system which shall, to the extent he consideres appropriate and with due regard to the program activities of the executive agencies, include uniform policies, regulations, procedures, and forms to be followed by executive agencies —

(1) In the procurement of (A) property other than real property in being; (B) services, including research and development; and (C) construction, alteration, repair or maintenance of real property; and

(2) In providing for procurement by recipients of Federal grants or assistance of items specified in clauses (1)(A), (1)(B), and (1)(C) of this subsection, to the extent required for performance of Federal grant or assistance programs.

(b) The Administrator shall develop and propose a central management system consisting of the Office of Management and Budget, the General Services Administration, and procurement offices in executive agencies to implement and enforce the uniform procurement system described in subsection (a) of this section;

(c) The functions of the Administrator shall include - (7) developing, for inclusion in the uniform procurement system...standard contracts and contract language in order to reduce the Government's cost of procuring goods and services as well as the private sector's cost of doing business with the Government;

(d) In the development and implementation of the uniform procurement system, the Administrator shall consult with the executive agencies affected, including the Small Business Administration and other executive agencies promulgating policies, regulations, procedures and forms affecting procurement. To the extent feasible, the Administrator may designate an executive agency or agencies, establish interagency committees, or otherwise use agency representatives or personnel to solicit the views and agreement, so far as possible, of executive agencies affected on significant changes in policies, regulations, procedures and forms.

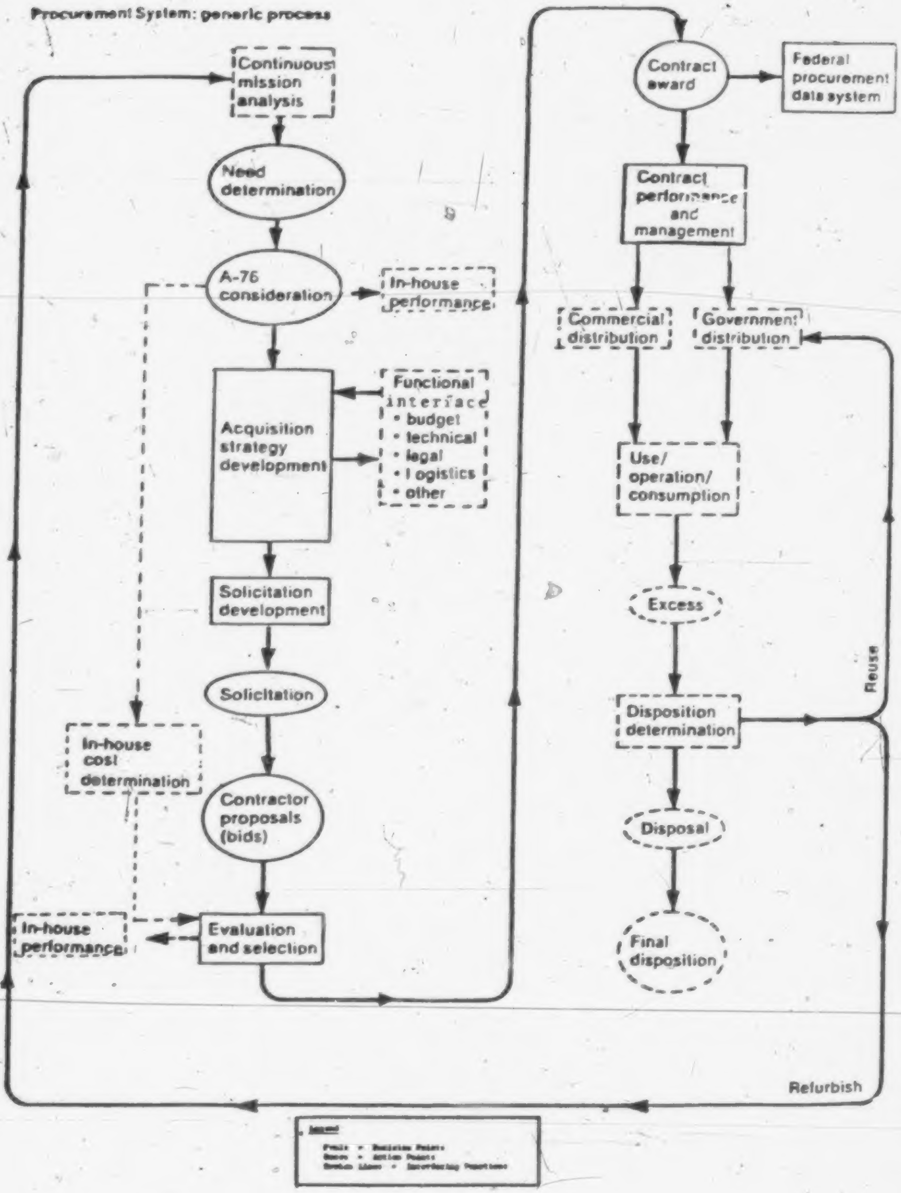
Section 8(a)

(2) At the earliest practicable date, but in no event later than one year after the date of enactment of the Office of Federal Procurement Policy Act Amendments of 1979, the Administrator shall transmit to the House of Representatives and the Senate his proposal for a uniform procurement system. Such proposal shall include a full description of the proposed system, projected costs and benefits of the system as proposed, and short- and long-term plans for implementation of the system, including schedules for implementation. At the same time, the Administrator shall transmit a report on the recommendations of the Commission on Government Procurement specified in section 6(d)(1) of this Act.

(3) At the earliest practicable date, but in no event later than one year after presentation of the proposal described in paragraph (2) of this subsection, the Administrator shall propose to the House of Representatives and the Senate recommended changes in legislation relating to procurement by executive agencies. If the Administrator deems it necessary, these recommendations shall include a proposal for a consolidated statutory base for procurement by executive agencies.

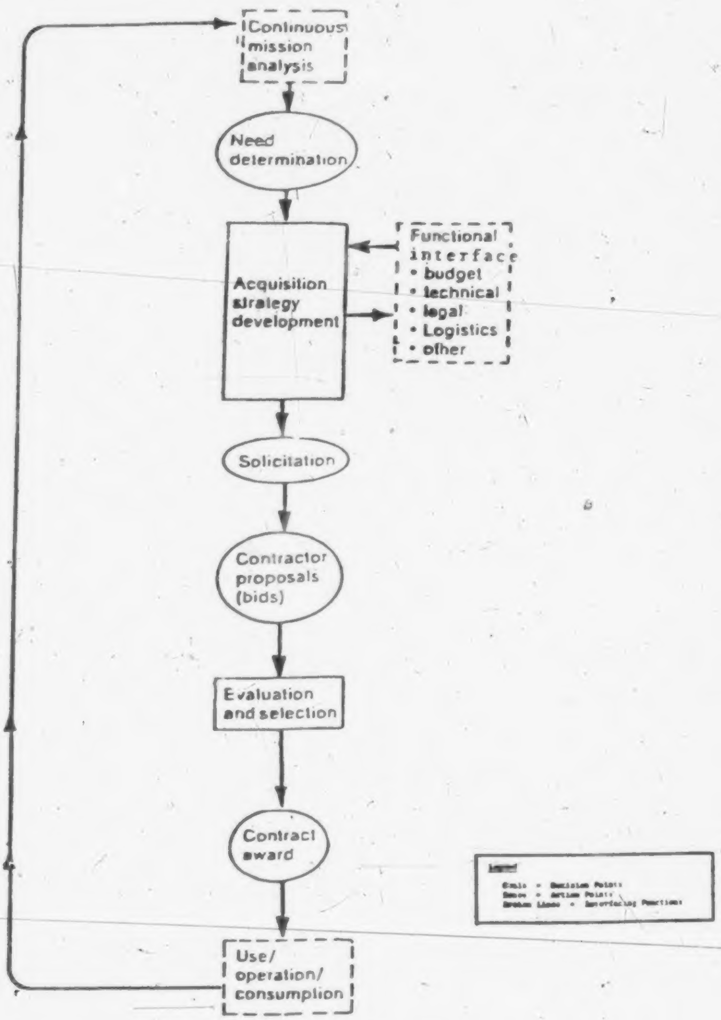
(4) At the earliest practicable date, but in no event later than the submission of the legislative recommendations described in paragraph (3) of this subsection, the Administrator shall present a proposal for a management system described in section 6(c) to implement and enforce the uniform procurement system."

Procurement System: generic process


Continuous mission analysis
Need determination
A-76 consideration
In-house performance
Acquisition strategy development
Functional interface
• budget
• technical
• legal
• logistics
• other
Solicitation development
Solicitation
In-house cost determination
Contractor proposals (bids)
In-house performance
Evaluation and selection
Contract award
Federal procurement data system
Contract performance and management
Commercial distribution
Government distribution
Use/ operation/ consumption
Excess
Disposition determination
Reuse
Disposal
Final disposition
Refurbish

APPENDIX B-1

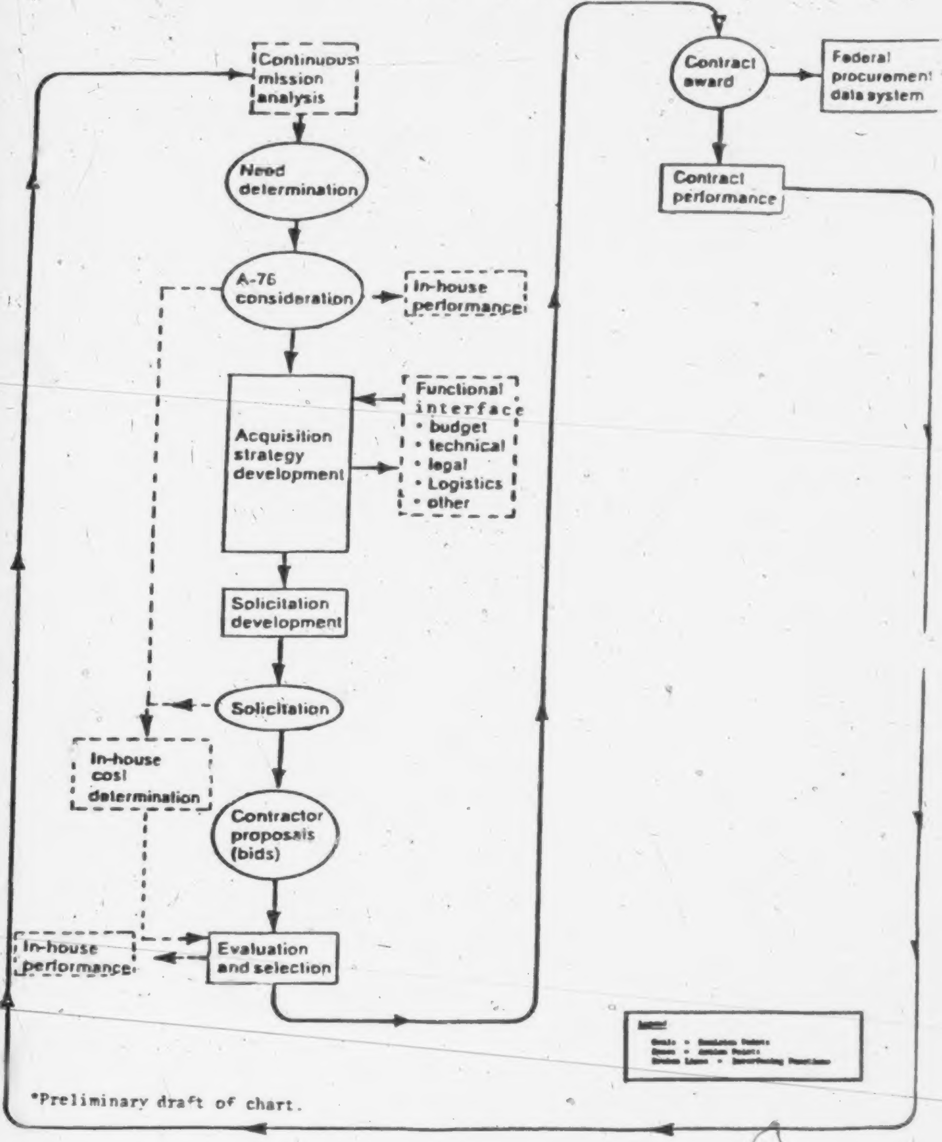
Procurement System: generic process as tailored for small purchases*


Continuous mission analysis
Need determination
Acquisition strategy development
Functional interface
• budget
• technical
• legal
• Logistics
• other
Solicitation
Contractor proposals (bids)
Evaluation and selection
Contract award
Use/ operation/ consumption
Legend
Ovals = Decision Points
Boxes = Action Points
Broken Lines = Interfacing Functions

*Preliminary draft of chart.

APPENDIX B-2

Procurement System: generic process as tailored for services acquisitions*


Continuous mission analysis
Need determination
A-76 consideration
In-house performance
Acquisition strategy development
Functional interface
• budget
• technical
• legal
• Logistics
• other
Solicitation development
Solicitation
In-house cost determination
Contractor proposals (bids)
Evaluation and selection
In-house performance
Contract award
Federal procurement data system
Contract performance

*Preliminary draft of chart.

NEW FEDERAL PROCUREMENT SYSTEM
PROPOSAL TASK GROUPS

Task Group	Senior Advisor	Chairman	OFPP Representative
Commercial Products	Clyde Cook, VA	John Battan 557-8575	Dan Wilson 395-3254
Construction	Joseph Cowden, Postal Board James Gearing, HHS	Ted Henningsen, DOD 252-0566	Charles Clark 395-7207
General Supplies	Gerald John, State	Tom Anderson, DOE 252-8223	Joe Zimmer 395-6166
Major Systems	Robert Trimble, DOD	John Smith, DOD 695-2400	Fred Dietrich 395-6610
Procurement Under Grants	Matt Lasker, HHS	Charles Ventura, DOT 426-4160	Jack Nadol 395-3455
Research and Development	David Snight, HHS Berton Roth, DOE	Dick Bankowski, NASA 755-8530	Darleen Druyun 395-3254
* Small Purchases	John Cumiskey, VA	Thomas Ray, DOD 274-6431	Betty Brown 395-3455
Services	Hilary Rauch, DOE	John Blaker, DOD 697-8973	Ken Gerken 395-3254
** Legislation	None	Jay Maynard, OFPP 395-3254	Pat Szervo 395-3501
** Policy	None	Leroy Hopkins, NASA 755-2252	LeRoy Haugh 395-6166
** Regulations	LeRoy Haugh, OFPP	Marcy Kestenbaum, DOE 252-8182	Wm. J. Maraist 395-3300
Organizational Interfaces	Ron Piasecki, DOI Duane Murray, FEMA Elisabeth Rudd, DOJ Fred Will, Education Bill Hunter, OFPP	Col. Dave Herfel, DOD 695-9047	Joe Hood 395-3254
Personnel Resources	Edward Rhodes, OPM Al Smith, USDA	Bob Fuqua, DOE 252-8249	Bill Hunter 235-2534
Support Resources	Steve Goodman, FEMA	Herb Fisher, DOD 697-8334	Don Vogler 395-3300
Control and Feedback		Jack Nadol, OFPP 395-3455	Jack Nadol 395-3455
Competition	Elizabeth Rudd, DOJ	Paul Arvis, DOD (804) 734-3300	Joe Spagnola 395-3254

* MR Herman DIRECTOR OF THE NATIONAL SMALL BUSINESS ASSOCIATION WAS A MEMBER OF THE SMALL PURCHASES TASK GROUP

** THE LEGISLATION, POLICY and REGULATIONS TASK GROUPS ALL HAD REPRESENTATIVES FROM SBA AS MEMBERS

OFPP Policy Letter 80-2

federal register

Friday
May 9, 1980

Part VIII

Office of Management and Budget

Office of Federal Procurement Policy

Subcontracting Under Federal Contracts; Subcontracting With Women's Business Enterprises Under Federal Contracts; Final Contract Disputes Regulatory Coverage and Contract Disputes Clause

Policy Letter 80-2

OFFICE OF MANAGEMENT AND BUDGET

Office of Federal Procurement Policy

Subcontracting Under Federal Contracts

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Policy directive.

SUMMARY: This policy directive sets forth amendments to be made to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulations (DAR), and the National Aeronautics and Space Administration Procurement Regulations (NASAPR) in implementation of section 211 of Pub. L. 95–507.

On October 24, 1978, the President signed into law Pub. L. 95–507 amending the Small Business Act and the Small Business Investment Act of 1958. Section 211 of Pub. L. 95–507 relates to subcontracting under federal contracts.

On January 16, 1979, the Office of Federal Procurement Policy published in the **Federal Register** (44 FR 3340) proposed regulatory guidance regarding section 211 (Subcontracting). On April 20, 1979, final regulatory guidance directing changes in the DAR and FPR was published in the **Federal Register** (44 FR 23610).

On October 29, 1979, the Office of Federal Procurement Policy published for comment in the **Federal Register** (44 FR 62093) proposed changes supplementing the guidance published on April 20, 1979. The October 29, 1979 publication also included for comment, in Part II thereof, proposed data collection formats. Comments were received with respect to both the subcontracting regulatory guidance and the proposed data collection formats. The final changes to the subcontracting regulatory guidance summarized below reflect the views in some of those comments. Comments received regarding the data collection formats are still being considered, and final versions of those formats will be published in the near future.

Several significant features to be found in the subcontracting regulatory guidance are as follows:

1. The Small Business and Small Disadvantaged Business Subcontracting solicitation provisions, for both negotiated and formally advertised procurements, have been expanded. Many of the earlier instructions to contracting officers—especially those requiring that officer to impose certain subcontract plan requirements on the offeror (or bidder)—have been incorporated into the solicitation clauses.

2. The regulatory guidance, as well as the solicitation clauses, contains a definition of the term "subcontract."

3. The instructions to the contracting officer sections now cover contracts with options and similar provisions, and letter contracts.

4. With respect to "commercial products" the plan to be submitted by the contractor and reviewed and approved by the Government will now cover not only the commercial product being procured under the immediate contract, but the company's or division's production generally. Also, if the contracting officer finds that the product being procured differs only insignificantly from the contractor's commercial product, he may regard the contract product, for the purposes of the subcontracting plan provision, as a commercial product. Finally, the contracting officer may ask another agency (e.g., an agency with the preponderance of the contracts with the contractor) to review and approve the contractor's plan for commercial products.

DATE: The changes set forth herein will be effective June 1, 1980.

FOR FURTHER INFORMATION CONTACT: Owen Birnbaum, Deputy Associate Administrator for Acquisition Law, (202) 395–3455.

Dated: April 29, 1980.

Karen H. Williams,

Administrator.

Policy Letter 80–2

To the Heads of Executive Departments and Establishments

Subject: Regulatory Guidance on Section 211 of Pub. L. 95–507.

There is a need in Government for uniformity and consistency in the application of procurement policy. This directive provides the uniform policy applicable to Section 211 of Pub. L. 95–507. The clauses and regulatory coverage that follow articulate this uniform policy. The Defense Acquisition Regualtions (DAR), the Federal Procurement Regulations (FPR), and the National Aeronautics and Space Administration Procurement Regulations (NASA PR) shall be amended to conform to this policy. This guidance supercedes in its entirety the guidance previously published in the **Federal Register** on April 20, 1979, (44 FR 23610).

A. Utilization of Small Business and Small Disadvantaged Business Concerns (over $10,000)

The following clause shall be included in all contracts over $10,000 except (1) contracts for services which are personal in nature and (2) contracts which will be performed entirely (including all subcontracts) outside any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico:

Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals

(a) It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

(b) The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. The contractor further agrees to cooperate in any studies or surveys as may be conducted by the Small Business Administration or the contracting agency which may be necessary to determine the extent of the contractor's compliance with this clause.

(c) (1) As used in this contract, the term "small business concern" shall mean a small business as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

(2) The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern—

(i) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

(ii) whose management and daily business operations are controlled by one or more of such individuals.

The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, and other minorities, or any other individual found to be disadvantaged by the Small Business Administration pursuant to section 8(a) of the Small Business Act.

(d) Contrators acting in good faith may rely on written representations by their subcontractors regarding their status as a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

(End of Clause)

B. Definitions

1. Business owners who certify that they are members of named groups (Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans) are to be considered socially and economically disadvantaged.

2. The phrase "Native Americans" means American Indians, Eskimos, Aleuts and native Hawaiians. The term "Asian-Pacific Americans" means U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia and Taiwan.

3. Other individuals may qualify as socially and economically disadvantaged under procedures which have been separately established by the Small Business Administration at 13 CFR 124.1-1(3)(iii).

4. The Office of Minority Small Business and Capital Ownership Development in the Small Business Administration has the final authority to determine the eligibility of a concern to be designated as a small disadvantaged business and shall answer inquiries from prime contractors and others regarding such eligibility.

5. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

C. Small Business and Small Disadvantaged Business Subcontracting (Negotiated)

All solicitations for negotiated contracts or negotiated amendments or modifications (including contracts, amendments, and modifications placed on a sole source basis), except those for procurements and set-asides pursuant to section 8(a) and section 15 of the Small Business Act as amended, which individually are expected to exceed $500,000, or in the case of contracts for the construction of any public facility, $1,000,000, and are required to include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, shall include a provision which requires the apparent successful offeror, provided the offeror is not a small business concern, to negotiate a detailed subcontracting plan. The provision is as follows:

Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated)

1. This provision does not apply to small business concerns.

2. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

3. The offeror acknowledges that it is aware of the subcontracting plan requirements in this provision; and if it is the apparent successful offeror, and if the contract offers subcontracting possibilities, agrees to negotiate a plan which includes:

a. Percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; (for the purposes of the subcontracting plan, the contractor may include all purchases which contribute to the performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs.)

As part of its establishment of percentage goals the apparent successful offeror shall also include in its subcontracting plan:

(1) A statement of: (a) total dollars planned to be subcontracted; (b) total dollars planned to be subcontracted to small business; and (c) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

(3) A statement of the method used in developing proposed subcontracting goals for (i) small business, (ii) small disadvantaged business concerns (e.g., did the offeror use for subcontract solicitation purposes company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing council Vendor Information Service, the Office of Minority Business Data Center in the Department of Commerce, and the facilities of local small business and minority associations?).

(4) If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small disadvantaged business subcontractors shall be explained.

b. The name of an individual within the employ of the offeror who will administer the subcontracting program of the offeror and a description of the duties of such individual;

c. A description of the efforts the offeror will take to assure that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts;

d. Assurances that the offeror will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontacts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1,000,000, to adopt and comply with a plan similar to the plan agreed to by the offeror. Such assurances shall describe the offeror's procedures for the review, approval, and monitoring for compliance with such plans;

e. Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with subcontracting plan; and

f. A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals: and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide of company-wide basis unless otherwise indicated):

(1) Small and disadvantaged business source lists, guides and other data identifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

(3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (a) whether small business was solicited, and if not why not; (b) whether small disadvantaged business was solicited, and if not why not; and (C) reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.

(4) Records to support other outreach efforts:

- Contacts with minority and small business trade associations;
- Contacts with business development organizations;
- Attendance at small and minority business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers:

- Workshops, seminars, training programs, etc.
- Monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.

4. The offeror understands that:

a. No contract will be awarded unless and until an acceptable plan is negotiated with the contracting officer which plan will be incorporated into the contract, as a material part thereof.

b. An acceptable plan must, in the determination of the contracting officer, provide the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged persons to participate in the performance of the contract.

c. If a subcontracting plan acceptable to the contracting officer is not negotiated within the time limits prescribed by the contracting activity and such failure arises out of causes within the control and with the fault or negligence of the offeror, the offeror shall be ineligible for an award. The contracting officer shall notify the contractor in writing of his reasons for determining a subcontracting plan to be unacceptable. Such notice shall be given early enough in the negotiation process to allow the contractor to modify the plan within the time limits prescribed.

d. Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the offeror for award of the contract.

e. It is the offeror's responsibility to develop a satisfactory subcontracting plan with respect to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and that each such aspect of the offeror's plan will be judged independent of the other.

f. The offeror will submit, as required by the contracting officer, subcontracting reports in accordance with the instructions thereon, and as further directed by the contracting officer. Subcontractors will also submit these reports to the government's contracting officer or as otherwise directed, with a copy to the prime contractor's designated small and disadvantaged business liaison.

5. The failure of any contractor or subcontractor to comply in good faith with (a) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals or (b) an approved plan required by this Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) provision, will be a material breach of such contract or subcontract.

6. Commercial Products. If a commercial product (defined below) is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer. The approved plan will remain in effect for the company's entire fiscal year for all of the company's or division's commercial products.

The term "commercial products" means products in regular production sold in substantial quantities to the general public and/or industry at established market or catalog prices. A product which, in the opinion of the contracting officer, differs only insignificantly from the contractor's commercial product may be regarded for the purpose of this clause as a commercial product.

(End of Provision)

Instructions to Contracting Officers

The following policy and procedural guidance is provided to contracting officers in making determinations as to the acceptability of a Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) submitted by an apparent successful offeror, in accordance with the requirements of Pub. L. 95-507, Amendments to the Small Business Act and the Small Business Investment Act of 1958. This guidance is not intended to be all inclusive. Other factors may warrant consideration dependent upon the particular circumstances of the proposed acquisition. Ultimately, there is no substitute for the reasoned and objective judgment of a contracting officer exercised on a case by case basis.

(a) *Contracts with Options or Similar Provisions*—In the case of contracts with options, or similar provisions, requiring a subcontracting plan, the contracting officer shall obtain a satisfactory plan prior to award covering the basic and the option items of the contract. The price of the option items shall be included in determining whether the contract meets the subcontracting threshold, and the plan shall take into account the procurement of the option items. In the event the option or similar provision is not exercised, the contractor should not be bound by that portion of the plan relating to the option items.

(b) *Letter Contracts*—In the case of letter-type contracts requiring a subcontracting plan, the contracting officer shall seek to obtain a satisfactory plan within 90 days after award or before definitization, whichever comes first.

(c) *Acceptability of Proposed Plan*—In making determinations concerning the acceptability of a proposed subcontracting plan, the contracting officer should take the following actions:

(1) To the extent available, the contracting officer shall obtain the names and locations of principal proposed (i) small business, and (ii) small disadvantaged business subcontractors, including the type of product or service and the dollar value thereof to be awarded to each principal subcontractor. (This information will be used only to assist the contracting officer in making a determination as to

the acceptability of the proposed percentage and dollar subcontract goals. The offeror will not be contractually bound to make subcontract awards to the designated subcontractors nor will the names of the subcontractors be included in any subsequent approved plan.)

(2) Obtain and review information from all appropriate sources, including the prospective contractor, contract administration activities, Small and Disadvantaged Business Utilization Specialist, and SBA representatives concerning the apparent successful offeror's historical performance and achievements in placing subcontracts for the same or similar products or services with (i) small business, and (ii) small disadvantaged business subcontractors—if this information is not available for a specific product or service, the offeror's past performance and achievements in the placement of total subcontract awards to (i) small business, and (ii) small disadvantaged business subcontractors shall be examined.

(3) Evaluate the anticipated potential for subcontracting to (i) small business, and (ii) small disadvantaged business considering the make-or-buy policies or programs of the apparent successful offeror, the nature of the products or services to be subcontracted, and the known availability of (i) small business, and (ii) small disadvantaged business concerns in the geographical area where the work will be performed.

(4) Advise the apparent successful offeror of (i) the availability of the sources of information on potential small business and small disadvantaged business subcontractors and (ii) the names of any known potential small business and small disadvantaged business subcontract sources. If the proposed goals are questionable, the contracting officer shall emphasize that one or more of the sources of information should be used and potential small business and small disadvantaged business subcontract sources be considered to ensure development of realistic and acceptable goals.

(5) Obtain advice and recommendations of the Small and Disadvantaged Business Utilization Specialist and the assigned Small Business Administration Procurement Center Representative (if available) concerning the acceptability of the proposed plans.

(6) Negotiate subcontracting goals at a level which represents a good faith, aggressive, and comprehensive effort of the apparent successful offeror to use to the maximum practicable extent small and small disadvantaged subcontractors after appropriate consideration of their price, technical capability, and other pertinent factors. No goals will be negotiated upwards if it is apparent that such higher goals must result in significant increased costs to the Government or will seriously impede acquisition objectives. However, incentive subcontracting clauses should be considered in those cases where it is believed that additional and unique prime contractor effort could significantly increase small business and small disadvantaged business subcontract awards.

(7) The contracting officer shall promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of subcontracting effort. If agreement cannot be reached, the matter will be resolved under the Disputes Clause of the contract.

(8) In reviewing and negotiating a contractor's proposed small and disadvantaged business subcontracting plan, the contracting officer shall give due consideration to the contractor's "make-or-buy" policy or program. This is necessary to ensure that the respective programs are not in conflict, and the best interests of the Government are obtained. Furthermore, where the contract work involves products or services which are not generally available in the commercial marketplace or are particularly specialized, and the contractor has current capacity to perform the work, the contracting officer may recognize the reduced likelihood of subcontracting opportunities.

(d) *Forwarding to SBA of Plans Involving Commerical Products.*

Contracting officers receiving company-wide plans under paragraph 6 (commerical products) of both solicitation clauses—SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED) and SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED)—shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 "L" Street, N.W., Washington, D.C., Attention: AAPA.

(e) *Failure to Comply in Good Faith with the Subcontracting Requirements.*

The failure of any contractor or subcontractor to comply in good faith with (1) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, or (2) an approved plan required by the Small Business and Small Disadvantaged Business Subcontracting Plan provision, will be a material breach of such contract or subcontract.

If such a breach has occurred in the prime contract, the contracting officer shall review the available facts to determine what remedy is in the best interests of the Government.

Such remedies may include Termination of the Contract pursuant to the Termination for Default Clause, negotiated reduction in contract price, negotiation of a revised subcontracting plan to correct deficiencies, or other negotiated measures the contracting officer may deem appropriate. In determining the proper remedy, the contracting officer shall consider as a minimum (1) the reasons attributed to the failure to comply in good faith, (2) the Government's need for the contract deliverables, and (3) the impact a proposed remedy may have on exiting small and disadvantaged subcontractors.

If the failure to comply in good faith cannot be settled by agreement, a contracting officer decision pursuant to the contract disputes clause shall be issued.

D. Incentive Subcontracting Program

The following clause may be used in negotiated contracts for which a subcontracting plan is required.

Incentive Subcontracting Program for Small Business and Small Disadvantaged Business (negotiated)

(1) The contractor has establised, in its subcontracting plan, the following goals for awards to small business and small disadvantaged business concerns:

(i)—— [1] percent of the total planned subcontract amount of $—— [1] to small business concerns and

(ii)—— [2] percent of the total planned subcontract amount of $—— [1] to small business concerns owned and controlled by socially and economically disadvantaged individuals.

(2) To the extent that the contractor exceeds such subcontract goals in the performance of this contract, it will receive—— [3] percent (not to exceed 10 percent) of the dollar amount of such excesses, unless the contracting officer determines that such excess was not due to efforts by the contractor, i.e., subcontractor costs in excess of those contractually agreed upon or where the actual subcontract amount exceeds that

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[1] Identified elsewhere in the contract.

[2] Identified elsewhere in the contract.

[3] Exact percentage to be inserted into the contract document.

estimated in the subcontract plan; or planned subcontracts which were not disclosed in the subcontract plan during contract negotiation.

(3) If the contract is a cost plus fixed fee type, the total of the fixed fee and the incentive payments made pursuant to this clause is subject to the limitations set forth in FPR 1-3.405-5(c)(2) and DAR 3-405.6(c)(2).

(End of Clause)

E. Small Business and Small Disadvantaged Business Subcontracting (Advertised)

All solicitations for formally advertised contracts or amendments or modifications thereto which, except those for procurements and set-asides pursuant to section 8(a) and section 15 of the Small Business Act as amended, offer subcontracting opportunities and are expected to exceed $500,000, or in the case of contracts for the construction of any public facility, $1,000,000, and are required to include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, shall include a provision which requires the bidder selected to be awarded the contract, provided the bidder is not a small business concern, to submit a detailed subcontracting plan.

The contracting officer shall include the solicitation notice below in all solicitations meeting the monetary threshold unless the contracting officer determines in writing that the proposed contract, amendment or modification, offers no subcontracting possibilities. If the contracting officer is not sure of the presence of subcontracting possibilities, the notice must be included; but the requirement to furnish a plan may be omitted on a showing by the bidder selected for award that subcontracting possibilities do not exist.

The provision is as follows:

Small Business and Small Disavantaged Business Subcontracting Plan (Advertised)

1. This provision does not apply to small business concerns.

2. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

3. The bidder acknowledges that it is aware of the subcontracting plan requirement in this provision; and if selected for award, will submit within the time specified by the contracting officer a subcontracting plan that will afford the maximum practicable opportunity to participate in the performance of the contract to small and small disadventaged concerns, and will include:

a. Percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. (For the purposes of the subcontracting plan, the contractor may include all purchases which contribute to the performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs.)

As part of its establishment of percentage goals the apparent successful bidder shall also include in its subcontracting plan:

(1) A statement of: (a) total dollars planned to be subcontracted, (b) total dollars planned to be subcontracted to small business; and (c) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

b. The name of an individual within the employ of the bidder who will administer the bidder's subcontacting program and a description of the duties of such individual;

c. A description of the efforts the bidder will take to assure that small business concerns and small business concerns owned and controlled by socially and economically disdavantaged individuals will have an equitable opportunity to complete for subcontracts;

d. Assurances that the bidder will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontracts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1,000,000, to adopt and comply with a plan similar to the plan agreed to by the bidder.

e. Assurances that the bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the bidder with the subcontracting plan; and

f. A recitation of the types of records the successful bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated):

(1) Small and disadvantaged business source lists, guides and other data identifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

(3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (a) whether small business was solicited, and if not why not; (b) whether small disadvantaged business was solicited, and if not why not; and (c) reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.

(4) Records to support other outreach efforts:

- Contacts with minority and small business trade associations.
- Contacts with business development organizations.
- Attendance at small and minority business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers:

- Workshops, seminars, training programs.
- Monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.

4. The bidder understands that:

(a) It agrees to carry out the government's policy to provide the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of the contract, consistent with its efficient performance.

(b) If it does not submit a subcontracting plan within the time limits prescribed by the contracting agency, it will be ineligible to be awarded the contract.

(c) Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the offeror for award of the contract.

(d) It is the bidders responsibility to develop a subcontracting plan with respect to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and that each such aspect of the plan will be judged independently of the other.

5. The failure of any contractor or subcontractor to comply in good faith with (a) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals or (b) the terms of any subcontracting plan required by this Small Business and Small Disadvantaged Business Subcontracting Plan (Advertised) provision, will be a material breach of the contract or subcontract.

6. Commercial Products. If a commercial product (defined below) is offered the required subcontracting plan may relate to the company's or division's production generally (both for commercial and noncommercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer. The approved plan will remain in effect for the company's entire fiscal year for all of the company's or division's commercial products.

The term "commercial products" means products in regular production sold in substantial quantities to the general public and/or industry at established market or catalog prices. A product which, in the opinion of the contracting officer, differs only insignificantly from the contractor's commercial product may be regarded for the purpose of this clause as a commercial product.

(End of Provision)

Instructions to Contracting Officers

(a) Informational Goals. The contracting officer may, in a letter accompanying the solicitation or otherwise, inform the offeror of the goal the Government contemplates for subcontracting to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. Any such letter shall state that the goals are informational only and not legally binding.

(b) Notification of Unsatisfactory Plans. If the contracting officer believes that the subcontracting plan submitted pursuant to this section does not reflect the best effort by the bidder to award subcontracts to small and small disadvantaged firms to the fullest extent consistent with the efficient performance of the contract, he shall notify the agency's director of the Office of Small and Disadvantaged Business Utilization who shall in turn notify the Small Business Administration and request a review of the plan pursuant to Section 8(d) (10) and (11) of the Small Business Act. Such request for an SBA review shall not delay award of the contract. Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the bidder for award of the contract.

(c) Forwarding to SBA of Plans Involving Commercial Products. Contracting officers receiving company-wide plans under paragraph 6 (commercial products) of both solicitation clauses—*Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated)* and *Small Business and Small Disadvantaged Business Subcontracting Plan (Advertised)*—shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 L Street NW., Washington, D.C., Attention: AAPA.

EFFECTIVE DATE: This Policy Letter is effective June 1, 1980.

CONCURRENCE: This Policy Letter has been concurred in by the Director of OMB.

[FR Doc. 80-13936 Filed 5-8-80 8:45 am]

BILLING CODE 3110-01-M

Subcontracting With Women's Business Enterprises Under Federal Contracts

AGENCY: Office of Federal Procurement Policy (OFPP), Office of Management and Budget.

ACTION: Policy directive.

SUMMARY: This policy directive sets forth amendments to be made to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulations (DAR), and the National Aeronautics and Space Administration Procurement Regulations (NASAPR) relating to subcontracting with women's business enterprises under Federal contracts.

On May 18, 1979, the President signed Executive Order 1[illegible]138 which created a National Women's Business Enterprise Policy, and prescribed arrangements for developing, coordinating and implementing a national program for women's business enterprise. Each department and agency of the Executive Branch was directed, within the constraints of statutory authority and as otherwise permitted by law, to take appropriate action to facilitate, preserve and strengthen Women's Business Enterprises and to ensure full participation by women in the free enterprise system.

To achieve the maximum practicable Federal contracting opportunity for women-owned firms, the Office of Federal Procurement Policy among other things, has directed the uniform revision of government-wide procurement regulations to assure that Federal prime contractors increase their use of women-owned firms as subcontractors.

These revisions include:

(a) Developing clauses for inclusion in prime contract solicitations and in prime contracts that encourage the use of women-owned firms as subcontractors to the maximum degree feasible; and

(b) Studying the feasibility of developing an incentive clause for inclusion in appropriate prime contracts to offer a dollar award to a prime contractor for subcontracting with women-owned firms in excess of an agreed upon goal for such subcontracting.

To implement (b) above, OFPP will in September 1980, evaluate the results of the pilot programs using incentive clauses for small and disadvantaged firms, as authorized in Pub. L. 95-507, and relate the lessons learned to the women business enterprise program.

To implement (a) above, the following Policy Letter sets forth changes to be made in the FPR, DAR and NASAPR. These changes are to be effective June 1, 1980, and are applicable to all solicitations and contracts arising therefrom, issued after June 1, 1980.

FOR FURTHER INFORMATION CONTACT: Dorothy Dickerson, Deputy Associate Administrator for Acquisition Law, (202) 395-3455.

Dated: April 29, 1980.

Karen Hastie Williams,

Administrator.

Policy Letter 80-4

To the Heads of Executive Departments and Establishments

Subject: Women's Business Enterprise Program

Background—Executive Order 12138 noted that Congressional findings and the findings of the Interagency Task Force on Women Business Owners recognize:

1. The significant role which small business and women entrepreneurs can play in promoting full employment and balanced growth in our economy;

2. The many obstacles facing women entrepreneurs; and

3. The need to aid and stimulate women's business enterprise.

In response to these findings, the Executive Order established a National Women's Business Enterprise Policy and prescribed arrangements for developing, coordinating and implementing a national program for women's business enterprise. Each department and agency was directed to take affirmative action in support of women's business enterprise in appropriate programs and activities including, but not limited to, procurement.

The President's Memorandum for the Heads of Departments and Agencies dated May 18, 1979, accompanying E.O. 12138, noted that the Interagency Task Force on Women Business Owners found that efforts to encourage full participation of women in Federal procurement activity have been less than adequate. Subsequently, OFPP undertook to establish agency goals for the award of prime contracts to women-owned firms and to develop Government-wide procurement regulations to encourage Federal prime contractors to increase their use of women-owned firms as subcontractors.

Action—There is a need in Government for uniformity and consistency in the application of procurement policy. This directive provides a uniform policy applicable to the Women's Business Enterprise Program. The clauses and regulatory coverage that follow articulate this uniform policy. The Defense Acquisition Regulation (DAR), the Federal Procurement Regulations (FPR), and the National Aeronautics and Space Administration Procurement Regulations (NASA PR) shall be amended to conform to this policy.

Clauses for Women-Owned Business Concerns

1. The following clause shall be included in all contracts expected to exceed $10,000 except (i) contracts which, including all subcontracts thereunder, are to be performed entirely outside the United States, its possessions, Puerto Rico and the Trust Territory of the Pacific Islands, and (ii) contracts for services which are personal in nature.

Utilization of Women-Owned Business Concerns (Over $10,000)

(a) It is the policy of the United States Government that women-owned businesses shall have the maximum practicable opportunity to participate in the performance of contracts awarded by any Federal agency.

(b) The Contractor agrees to use his best efforts to carry out this policy in the award of subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, a "woman-owned business" concern means a business that is at least 51% owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management. "Women" mean all women business owners.

(End of Clause)

2. The following clause shall be included in all contracts, amendments or modifications expected to exceed $500,000 or in the case of contracts for the construction of any public facility, $1,000,000 which require the Utilization Clause in (1) above.

Women-Owned Business Concerns Subcontracting Program (Over $500,000 or $1,000,000 for Construction Of Any Public Facility)

(a) The Contractor agrees to establish and conduct a program which will enable women-owned business concerns to be considered fairly as subcontractors and suppliers under this contract. In this connection, the contractor shall:

(1) Designate a liaison officer who will administer the Contractor's "Women-Owned Business Concerns Program."

(2) Provide adequate and timely consideration of the potentialities of known women-owned business concerns in all "make-or-buy" decisions.

(3) Develop a list of qualified bidders that are women-owned businesses and assure that known women-owned business concerns have an equitable opportunity to compete for subcontracts, particularly by making information on forthcoming opportunities available, by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of women-owned business concerns.

(4) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of women-owned business concerns; (ii) awards to women-owned businesses on the source list by minority and non-minority women-owned business concerns; and (iii) specific efforts to identify and award contracts to women-owned business concerns.

(5) Include the "Utilization of Women-Owned Business Concerns" clause in subcontracts which offer substantial subcontracting opportunities.

(6) Cooperate in any studies and surveys of the Contractor's women-owned business concerns procedures and practices that the Contracting Officer may from time-to-time conduct.

(7) Submit periodic reports of subcontracting to women-owned business concerns with respect to the records referred to in subparagraph (4) above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.

(b) The Contractor further agrees to insert, in any subcontract hereunder which may exceed $500,000 or $1,000,000 in the case of contracts for the construction of any public facility and which offers substantial subcontracting possibilities, provisions which shall conform substantially to the language of this clause, including this paragraph (b), and to notify the Contracting Officer of the names of such subcontractors.

(c) The contractor further agrees to require written certification by its subcontractors that they are bona fide women-owned and controlled business concerns in accordance with the definition of a women-owned business concern as set forth in the Utilization Clause 1(b) above at the time of submission of bids or proposals.

(End of Clause)

EFFECTIVE DATE: This Policy Letter is effective June 1, 1980, and shall be applicable to all solicitations, and contracts arising therefrom, issued after June 1, 1980.

CONCURRENCE: This Policy Letter has been concurred in by the Director of OMB.

[FR Doc. 80-13836 Filed 5-8-80; 8:45 am]

BILLING CODE 3110-01-M

Final Contract Disputes Regulatory Coverage and Contract Disputes Clause

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Policy directive.

SUMMARY: This policy directive sets forth amendments to be made to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulations (DAR), and the National Aeronautics and Space Administration Procurement Regulations (NASAPR) relating to contract disputes regulatory coverage and the contract dispute clause.

On November 1, 1978, the President signed into law Pub. L. 95–563, the Contract Disputes Act of 1978. That Act, among other things, required certain changes to clauses and procurement regulations of the procuring agencies by March 1, 1979. To assure uniformity of language in the resulting changes, a suggested text of provisions to implement that Act was published at 44 FR 5219, January 25, 1979 for comment. After consideration of comments received and resulting changes to the suggested text, a set of interim final regulations and a Contract Disputes Clause was published at 44 FR 12519, March 7, 1979. This set of interim final regulations and Disputes clause contained language to be used by the affected agencies when amending their regulations. This language was to become final June 1, 1979, unless changed before that time.

The interim final rules were made final by notice published at 44 FR 34228, June 14, 1979, but the Disputes clause remained as interim. In addition, a second proposed Disputes clause was published there for comment.

Comments have been received and evaluated and this document (1) rescinds the regulations and contract Disputes clause issued March 7 and June 14, 1979, and (2) provides final regulatory coverage and a contract Disputes clause for incorporation into the Defense Acquisition Regulation, the Federal Procurement Regulations, and the National Aeronautics and Space Administration Procurement Regulations.

A major change from the regulations and interim Disputes clause, in use since March 1979, concerns the extent of the contractor's obligation to continue performance of work. Prior to the passage of the Contract Disputes Act, a contractor, pursuant to the Disputes clause then in effect, was in the event of a dispute arising under the contract, obligated to continue performance in accordance with the contracting officer's decision pending resolution of the dispute. On the other hand, if the dispute arose out of the contract, or in breach of the contract, there was no obligation to continue work. The interim Disputes clause expanded the contractor's obligation to continue performance to include disputes arising out of, or in breach of, the contract as well as under the contract. The final Disputes clause published here returns the situation to the pre-Contract Disputes Act obligation. Under the Disputes clause and the accompanying regulations, the contractor is obligated to continue performance only if the dispute arises under the contract. It is recognized, however, that in unusual circumstances the performance of some contracts may be vital to the national security or to the public health and welfare so that performance must be guaranteed even in the event of a dispute arising out of, or in breach of, contract. In those unusual cases, procuring agencies may provide for a change to the Disputes clause to assure a continuation of the work. In such cases agencies should also seek to provide appropriate financing to cover the additional work, provided that the Government's interests are properly secured.

The final Disputes clause and regulations also provide technical changes from the interim clause and regulations with regard to payment of interest, procedures for certification of a claim exceeding $50,000, and other areas. These changes are made to better reflect the intent of the Contract Disputes Act.

DATES: This regulatory coverage and contract Disputes clause are to be effective June 1, 1980, and shall apply to all solicitations and resulting contracts issued on or after June 1, 1980.

FOR FURTHER INFORMATION CONTACT: Ms. Patricia A. Szervo, Associate Administrator for Acquisition Law, (202) 395–3501.

Dated: April 30, 1980.

Karen Hastie Williams,
Administrator.

OFPP Policy Letter 80–3

To the Heads of Executive Departments and Establishments

Subject: Regulatory Guidance on Pub. L. 95–563, th contract Disputes Act of 1978

There is a need in Government for uniformity and consistency in the application of procurement policy. This directive provides the uniform policy applicable to the Contract Disputes Act of 1978. The clauses and regulatory coverage that follow articulate this uniform policy. The Defense Acquisition Regulation (ADR), the Federal Procurement Regulations (FPR), and the National Aeronautics and Space Administration Procurement Regulations (NASA PR) shall be amended to conform to this policy. This guidance supersedes in its entirety the guidelines previously published in the **Federal Register**, on March 7, 1979 (44 FR 12519), and June 14, 1979 (44 FR 24228).

I. Regulatory Coverage—Resolution of Claims

1. *Contract Disputes Act of 1978:*

(a) General. The Contract Disputes Act of 1978 (Pub. L. 95–563, 41 U.S.C. 601–613) establishes procedures and requirements for asserting and resolving claims by or against contactors relating to a contract subject to the Act. In addition, the Act provides for the payment of interest on contractor claims, for the certification of contract claims in excess of $50,000, and a civil penalty for contractor claims that are fraudelent or based on a misrepresentation of fact.

(b) Definition of Claim:

(i) As used herein"claim" means a written demand by one of the contracting parties seeking, as a legal right, the payment of money, adjustment or interpretation of contract terms, or other relief, arising under or related to the contract.

(ii) A voucher, invoice, or request for payment that is not in dispute when submitted is not a claim for the purposes of the Act. However, where such submission is subsequently not acted upon in a reasonable time, or disputed either as to liability or amount, it may be converted to a claim under Section 6(a) of the Act as provided in Section 3, below.

(c) Government Policy on Settlement by Mutual Agreement. It is the Government's policy, consistent with the Act, to try to resolve all claims by mutual agreement at the contracting officer's level, without litigation. Implementation of this policy depends on an open mind with regard to the matter in dispute and the adequacy of the information provided in support of the claim by both the contractor and the Government. In appropriate circumstances, before issuance of a contracting officer's decision on a claim, informal discussions between the parties, to the extent feasible, by individuals who have not participated substantially in the matter in dispute, can aid in the resolution of differences by mutual agreement and should be considered.

(d) Contracting Officer Authority. Except as provided in this subsection (d), the contracting Officer is authorized (within any specific limitation in his warrant) to decide or settle all claims relating to a contract subject to the Act. The authority of this subsection (d) does not extend to (1) a claim or dispute for penalties or forfeitures prescribed by statute or regulation which another Federal agency is specifically authorized to administer, settle, or determine, or (2) any claim involving fraud. See Section 2, below.

(e) Contracts Excepted from the Act. A contract with a foreign government or agency thereof, or with an international organization or subsidiary body thereof may be exempted for the Act and DAR Section 1-314 and FPR Section 1-1.318, if the head of the Agency determines that application of the Contract Disputes Act to the contract would not be in the public interest.

(f) Pub. L. 85-804 Requests. Requests for relief under Pub. L. 85-804 are not considered to be claims within the Contract disputes Act of 1978 or the Disputes clause, and shall continue to be processed under DAR Section XVII or FPR Section 1-17.

2. *Referral of Suspected Fraudulent Claims*—If a contractor is unable to support any part of its claim and there is evidence that such inability is attributable to misrepresentation of fact or fraud on the part of the contractor, the contracting officer shall refer the matter to the designated Agency official responsible for investigating fraud.

3. *Initiation of a Claim*—Except as provided in the Act, (a) contractor claims shall be made in writing and submitted to the contracting officer for a decision, and (b) claims by the Government against a contractor shall be the subject of a contracting officer decision.

4. *Contracting Officer's Decision:*

(a) When a claim by or against a contractor cannot be satisfied or settled by agreement and a decision on the claim is necessary, the Contracting Officer shall:

(i) Review the facts pertinent to the claim;

(ii) Secure assistance from legal and other advisors; and

(iii) Coordinate with the contract administration office or Contracting Office, when appropriate.

(b) The Contracting Officer shall furnish a copy of the decision to the contractor, by certified mail, return receipt requested, or by any other method that provides evidence of receipt, and shall include in the decision:

(i) A paragraph substantially as follows:

This is the final decision of the Contracting Officer. This decision may be appealed to the Board of Contract Appeals.

If you decide to make such an appeal, you must mail or otherwise furnish written notice thereof to the Board of Contract Appeals within ninety days from the date you receive this decision. A copy thereof shall be furnished to the Contracting Officer from whose decision the appeal is taken. The notice shall indicate that an appeal is intended, shall reference this decision, and identify the contract by number. In lieu of appealing to the cognizant Board of Contract Appeals you may bring an action directly in the U.S. Court of Claims,[4] within twelve months of the date you receive this decision.

(ii) A description of the claim or dispute;

(iii) A reference to pertinent contract provisions;

(iv) A statement of the factual areas of agreement or disagreement;

(v) A statement of the Contracting Officer's decision, with supporting rationale;

(vi) Notification that the small claims procedure of the cognizant Board shall be applicable at the sole election of the contractor in the event that the amount in dispute as a result of the final decision is $10,000 or less; and

(vii) Notification that the accelerated procedure of the cognizant Board shall be applicable, at the sole election of the contractor in the event the amount in dispute as a result of the final decision is $50,000 or less.

(c) The Contracting Officer shall issue the decision within the following statutory time limitation:

(i) For claims not exceeding $50,000: Sixty days after receipt of the claim.

(ii) For claims exceeding $50,000: Sixty days after receipt of claim; provided, however, if a decision is not issued within sixty days the Contracting Officer shall notify the contractor of the time within which he will make the decision. The reasonableness of this time period will depend on the size and complexity of the claims and the adequacy of the contractor's supporting data and any other relevant factors.

(d) The amount determined payable pursuant to the decision, less any portion already paid, should be paid, if otherwise proper, without awaiting contractor action concerning appeal. Such payment shall be without prejudice to the rights of either party.

5. *Payment of Interest on Contractor's Claims*—The Government shall pay interest on a contractor claim on the amount found due and unpaid, from the date the Contracting Officer receives the claim until the date payment is made, at the rates fixed by the Secretary of the Treasury pursuant to the Renegotiation Act, Pub. L. 92-41.

6. *Disputes Clause:*

(a) The Act applies to all disputes with respect to contracting officer decisions on matters arising out of or relating to a contract. Agency Boards of Contract Appeals (BCA) created under the Act have the same jurisdiction as the Court of Claims with respect to a claim that is subject to the Act. Thus, the statutory agency BCAs continue to have all of the authority they possessed before the Act with respect to disputes arising under a contract, as well as authority to decide disputes relating to a contract. The Disputes clause set forth in Part II recognizes the all disputes authority established by the Act, and states certain requirements and limitations of the Act for the guidance of contractors and contracting agencies. It is not intended to affect the rights and obligations of the parties as provided by the Act, nor to constrain the authority of the statutory agency BCAs in the handling and deciding of contractor appeals pursuant to the Act.

(b) Obligation to Continue Performance—Section 6(b) of the Act authorizes contracting agencies to include a provision requiring a contractor to continue performance of the contract in accordance with the contracting officer's decision pending final decision on a claim. In general, prior to passage of the Act, the obligation to continue performance applied only to claims arising under a contract. Subparagraph (i) of the new Disputes clause is intended to require continued performance to the same extent as existed under the standard Disputes clause in effect prior to the Act.

7. *Certification of Contractor Claims Over $50,000:*

(a) Section 6(c)(1) of the Act requires that a contractor claim over $50,000 shall be certified that it is made in good faith; that the supporting data are accurate and complete to the best of the contractor's knowledge and belief; and that the amount requested accurately reflects the contract adjustment for which the contractor believes the Government is liable.

(b) The certification shall be executed by the contractor if an individual. When the contractor is not an individual, the certification shall be executed by a senior company official in charge at the contractor's plant or location involved, or by an officer or general partner of the contractor having overall responsibility for the conduct of the contractor's affairs.

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[4] Except as provided in Sections 4 (maritime contracts) and 10(a)(2) (Tennessee Valley Authority) of the Act.

II. Contract Disputes Clause

The following clause shall be included in all contracts subject to the Contract Disputes Act unless (1) exempted by the head of the Agency under 41 U.S.C. 603(c), or (2) modified in accordance with DAR 1-314 or FPR 1-1.318:

Disputes Clause:

(a) This contract is subject to the Contract Disputes Act of 1978 (Pub. L. 95-563).

(b) Except as provided in the Act, all disputes arising under or relating to this contract shall be resolved in accordance with this clause.

(c) (i) As used herein, "claim" means a written demand or assertion by one of the parties seeking, as a legal right, the payment of money, adjustment or interpretation of contract terms, or other relief, arising under or relating to this contract.

(ii) A voucher, invoice, or request for payment that is not in dispute when submitted is not a claim for the purposes of the Act. However, where such submission is subsequently not acted upon in a reasonable time, or disputed either as to liability or amount, it may be converted to a claim pursuant to the Act.

(iii) A claim by the contractor shall be made in writing and submitted to the contracting officer for decision. A claim by the Government against the contractor shall be subject to a decision by the Contracting Officer.

(d) For contractor claims of more than $50,000, the contractor shall submit with the claim a certification that the claim is made in good faith; the supporting data are accurate and complete to the best of the contractor's knowledge and belief; and the amount requested accurately reflects the contract adjustment for which the contractor believes the Government is liable. The certification shall be executed by the contractor if an individual. When the contractor is not an individual, the certification shall be executed by a senior company official in charge at the contractor's plant or location involved, or by an officer or general partner of the contractor having overall responsibility for the conduct of the contractor's affairs.

(e) For contractor claims of $50,000 or less, the Contracting Officer must render a decision within 60 days. For contractor claims in excess of $50,000, the Contracting Officer must decide the claim within 60 days or notify the contractor of the date when the decision will be made.

(f) The Contracting Officer's decision shall be final unless the contractor appeals or files a suit as provided in the Act.

(g) The authority of the Contracting Officer under the Act does not extend to claims or disputes which by statute or regulation other agencies are expressly authorized to decide.

(h) Interest on the amount found due on a contractor claim shall be paid from the date the claim is received by the Contracting Officer until the date of payment.

(i) Except as the parties may otherwise agree, pending final resolution of a claim by the contractor arising under the contract, the contractor shall proceed diligently with the performance of the contract in accordance with the contracting officer's decision.

EFFECTIVE DATE: This Policy Letter is effective June 1, 1980, and shall apply to all solicitations and resulting contracts issued on or after June 1, 1980.

CONCURRENCE: This Policy Letter has been concurred in by the Director of OMB.

[FR Doc. 80-13937 Filed 5-8-80; 8:45 am]

BILLING CODE 3110-01-M

SUPPL. No. 1 To OFPP Policy Letter 80-2.

be responsible for monitoring agency performance and encouraging agencies to achieve the schedule targets.

3. GOCO Subcontracting

Subcontracts by Government-owned Contractor Operated (GOCO) facilities shall be counted toward an agency's LSA set-aside performance when these subcontracts are performed substantially in LSA's and are designated as set-asides.

4. Section 8(a) Contracts, Purchases From the Blind and Handicapped, Federal Prison Industries, and Other Single Source Contracts

Section 15(d) of the Small Business Act indicates that LSA set-asides are to be made when there is a reasonable expectation that offers will be obtained from a sufficient number of eligible concerns so that awards will be made at reasonable prices. In view of this statutory procedure designed to assist Labor Surplus Areas, agencies shall not count non-competitive 8(a) contracts, purchases from blind and handicapped workshops and purchases from Federal Prison Industries toward their LSA set-aside performance. However, if an agency or the Small Business Asministration is able tp set aside a particular product or service for competition among firms in labor surplus areas which are also in the 8(a) program, such contracts may be counted toward LSA set-aside performance.

5. "Other Appropriate Methods" To Meet LSA Procurement Targets

a. Executive Order 12073, August 16, 1978, states in part that the GSA Administrator, in cooperation with the heads of Executive agencies, shall encourage the use of set-asides or "other appropriate methods" to meet LSA procurement targets.

Accordingly, agencies should consider, and be alert to, such other possible methods as are appropriate to their procurement mission. Such agency efforts will assist in meeting the objects of E.O. 12073 and "foster economic development in labor surplus areas."

Effective Date: This Policy Letter is effective July 1, 1981.

Concurrence: This Policy Letter has been concurred in by the Director of OMB.

William E. Mathis,

Acting Administrator.

[FR Doc. 81-16704 Filed 6-4-81; 8:45 am]

BILLING CODE 3110-01-M

[OFPP Policy Letter 80-2; Supplement No. 1]

Regulatory Guidance on Section 211 of Public Law 95-507

May 29, 1981.

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Supplement to OFPP Policy Letter 80-2, April 29, 1980.

SUMMARY: OFPP Policy Letter 80-2, April 29, 1980, published in the Federal Register on May 9, 1980 (45 FR 31028) set forth amendments to be made to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulation (DAR) and the National Aeronautics and Space Administration Procurement Regulations (NASAPR).

This supplement to Policy Letter 80-2 resolves certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980.

It provides that:

1. Modifications over $500,000 to a contract already containing a plan do not require a new subcontracting plan, but the modification must contain new separate goals or revised goals.

2. The subcontracting plan for an individual procurement may incorporate an overall "master" plan.

3. An approved commercial products plan remains applicable beyond the fiscal year in whch it is approved, if contract deliveries extend beyond that fiscal year.

4. Contract-by-contract records are not required under a commercial products plan.

5. There is flexibility in determining the extent of required monitoring of subcontactor performance, and agencies may relieve prime contractors of this responsibility when appropriate.

DATE: The provisions of the supplementary Policy Letter will be effective June 30, 1981, but may be followed immediately.

CONTACT: Owen Birnbaum, Deputy Associate Administrator for Regulatory Policies and Practices, 395-3455.

William E. Mathis,

Acting Administrator.

May 29, 1981.

Policy Letter 80-2, Supplement No. 1

To The Heads of Executive Departments and Establishments

Subject: Regulatory Guidance on Section 211 of Public Law 95-507

Government procurement policy should be uniform and consistent in application. The purpose of this supplementary Policy Letter is to provide a uniform resolution to certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980 (45 FR 31028, May 9, 1980).

1. The question has been raised whether it is necessary to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. Policy Letter 80-2 indicates that subcontracting plans must be included, pursuant to Public Law 95-507, in contracts *and contract modifications* over the statutory thresholds. It also requires that the "contracting officer promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of contracting effort."

It is not necessary for the contracting officer to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. The modification may incorporate the existing plan by reference. However, the modification must either contain separate goals for the new effort or revise the original goals.

2. Another question has been raised as to whether the terms of an overall or "master" company subcontracting plan may be incorporated by reference into a specific plan submitted for a given contract over the statutory thresholds. This is acceptable provided: (1) the master plan contains all the elements required by the statute; (2) subcontract goals for small and small disadvantaged firms are specifically set forth in each contract or modification over the statutory thresholds; (3) any changes to the plan deemed necessary and required by the contracting officer in areas other than goals are specifically set forth in the contract or modifications; (4) the contracting officer has copies of the entire plan; and (5) the resident Procurement Center Representative (PCR) of the Small Business Administration has had an opportunity to comment on the master plan.

3. A third question relates to the applicability of an approved commercial products plan beyond the fiscal year in which it is approved. Policy Letter 80-2 states that:

> "If a commercial product is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer."

The approved plan shall apply to all deliveries made under contracts entered into during the contractor's fiscal year, even through those deliveries are made in a succeeding fiscal year. The contractor shall submit a new plan to the first agency with which it enters into a contract (over the statutory threshold) during a succeeding fiscal year. The new plan shall apply to all deliveries made under contracts entered into during the succeeding fiscal year, no matter when those deliveries are made.

4. Also with respect to commercial products plans, there is a question whether the contractor is required to keep "contract-by-contract" records pursuant to paragraphs 3f (3) and (6) of the Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) and (Advertised) clauses. Such contract-by-contract records would be incompatible with the concept and purpose of an annual company-wide plan, and are not required.

Accordingly, OFPP Policy Letter 80-2 is amended by adding the following sentence at the end of paragraphs 3f(3) and 3(f)(6) of both the Negotiated and Advertised clauses: "This quirement does not apply to a plan ibmitted pursuant to par. 6, hereof."

5. Paragraph 3d of the clause entitled Small Business and Small Disadvantaged usiness Subcontracting Plan (Negotiated)", s set forth in Policy Letter 80-2, provides for owdown of the subcontracting plan quirements to all non-small business ibcontractors which receive subcontracts ver the applicable thresholds. Further, the rime contractor is required to describe its procedures for the review, approval, and ionitoring for compliance with such plans."

This requirement has raised questions of hat is meant by monitoring and whether, in ome cases, the prime contractor should be elieved of this responsibility.

If interpreted literally to require each prime ontractor to monitor its subcontractors' ompliance, by plant visits and examinations f records, this could result in situations such s: (1) several contractors monitoring the ame subcontractor, to review essentially the ame information, which would at a minimum e disruptive and redundant; (2) the prime ontractor being monitored by one or more of he subcontractors which it is monitoring, vhere the prime/sub relationships are eversed; and (3) problems concerning access o records, particularly when the prime ontractor and the subcontractor are ompetitors. This disruption, duplication and dditional unnecessary cost do not appear to e justified or necessary. In many instances, articularly where a subcontractor is also erforming Government prime contracts, the Government already has a representative ither on the scene or available who is nonitoring the firm's performance as a prime contractor. The Government representative, n such cases, should be familiar with the irm's overall plan for subcontracting with small and small disadvantaged businesses, and therefore in the best position to determine whether the firm is meeting its goals either as a prime contractor or as a subcontractor. Accordingly, departments and agencies may, in their regulations, notwithstanding the last sentence of the aforesaid paragraph 3d, relieve the prime contractor from this obligation when they deem it appropriate. An agency's decision to relieve a contractor from its obligation to monitor for compliance should take into consideration an existing Government presence at the subcontractor's plant and whether the monitoring can be accomplished most economically and efficiently through Government or prime contractor activity.

Whether monitoring is done by the prime contractor or by the Government, the degree of monitoring will vary depending on the circumstances. Such factors as access to records, subcontract dollar amount, the subcontractor's past performance in meeting goals, and many others must be considered in reviewing the procedures for monitoring compliance.

While there is some flexibility, as indicated by the foregoing discussion, with respect to monitoring for compliance, prime contractors are *not* relieved of their obligation to review and approve their subcontractor's plans.

Effective date: This supplementary Policy Letter is effective June 30, 1981.

Concurrence: This supplementary Policy Letter has been concurred in by the Director of the Office of Management and Budget.

William E. Mathis,

Acting Administrator.

[FR Doc. 81-16705 Filed 6-4-81; 8:45 am]

BILLING CODE 3110-01-M

OFFICE OF PERSONNEL MANAGEMENT

Excepted Service

AGENCY: Office of Personnel Management.

ACTION: Notice of delay in publication date of listing of current Schedule A, B and C excepted service appointing authorities.

SUMMARY: In final regulations published April 3, 1981, which decodified individual schedule A, B and C appointing authorities, OPM announced its intention to publish an annual notice of all such authorities, current as of June 30, in the **Federal Register**. Because of the time required to prepare the consolidated notice for publication, the first annual notice will instead be prepared as of August 31, 1981, and will be published in early September. Thereafter, the consolidated annual notice of Schedule A, B and C authorities will be published as of June 30 of each year.

FOR FURTHER INFORMATION CONTACT: William Bohling, Noncompetitive Staffing and College Relations Branch, Staffing Services, (202) 632-6000.

SUPPLEMENTARY INFORMATION: OPM maintains continuing information on the status of all Schedule A, B and C excepted appointing authorities. Interested parties needing information about specified authorities may obtain such information by contacting the Noncompetitive Staffing and College Relations Branch, Room 6A12, Office of Personnel Management, 1900 E Street, NW., Washington, D.C. 20415, or by calling (202) 632-6000.

Office of Personnel Management.

Beverly McCain Jones,

Issuance System Manager.

[FR Doc. 81-16701 Filed 6-4-81; 8:45 am]

BILLING CODE 6325-01-M

DEPARTMENT OF THE TREASURY

Office of the Secretary

[Supplement to Department Circular Public Debt Series—No. 16-81]

Series E-1986; Interest Rate

May 29, 1981.

The Secretary announced on May 28, 1981, that the interest rate on the notes designated Series E-1986, described in Department Circular—Public Debt Series—No. 16-81 dated May 21, 1981, will be 13⅞ percent. Interest on the notes will be payable at the rate of 13⅞ percent per annum.

Gerald Murphy,

Acting Fiscal Assistant Secretary.

Supplementary Statement

The announcement set forth above does not meet the Department's criteria for significant regulations and, accordingly, may be published without compliance with the departmental procedures applicable to such regulations.

[FR Doc. 81-16686 Filed 6-4-81; 8:45 am]

BILLING CODE 4810-40-M

POLICY LETTER 80-6 ON SMALL BUSINESS RESERVATIONS

OFFICE OF MANAGEMENT AND BUDGET

Office of Federal Procurement Policy

Reservation of Federal Contracts Under $10,000 for Small Business Concerns

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Policy directive providing — amendments to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulation (DAR), and the National Aeronautics and Space Administration Procurement Regulation (NASAPR).

SUMMARY: This Policy Directive sets forth amendments to be made in the FPR, the DAR, and the NASAPR in implementation of section 221 of Pub. L. 95–507.

On January 16, 1979, the Office of Federal procurement policy published in the Federal Register proposed changes in the FPR and the DAR required be section 221 of Pub. L. 95–507. That section requires, among other things, that each Federal contract for goods and services of an anticipated value of less than $10.000 which is subject to small purchase procedures be reserved exclusively for small business concerns. Comments were received with respect to the proposed implementation of this section and were carefully considered.

Further, the Small Business Administration amended the non-manufacturing provisions of 13 CFR 121.3–8, to carry out the intent of section 221. That action (published in the Federal Register on January 15, 1980) allows small offerors, including non-manufacturers, to furnish any domestically manufactured product on Federal procurements valued at less than $10.000 and subject to small purchase procedures.

The regulatory guidance in the Policy Directive provides for a special category of set-asides to be known as small business-small purchase set-asides. It also sets forth additional guidance to contracting officers in making such set-asides.

DATE: The changes set forth in the following Policy Letter will be effective August 30, 1980.

FOR FURTHER INFORMATION CONTACT: Owen Birnbaum, Deputy Assistant Administrator for Procurement Practices (202) 395–3455.

Dated: July 22, 1980.

Karen Hastie Williams,

Administrator.

[Policy Letter 80–6]

Regulatory Guidance on Procurement From Small Businesses

To the heads of executive departments and establishments:

Government procurement policy should be uniform and consistent in application. This directive provides the uniform policy applicable to section 221 of Pub. L. 95–507, which added a new section 15(j) to the Small Business Act. The regulatory coverage that follows articulates this uniform policy. The Defense Acquisition Regulation (DAR), the Federal Procurement Regulations (PR), and the National Aeronautics and Space Administration Procurement Regulation (NASAPR) shall be amended to conform to this policy.

Section 15(j) requires that Federal contracts for goods and services of an anticipated value under $10.000, which are subject to small purchase procedures, shall be reserved exclusively for small business unless competitive offers from small business concerns cannot be obtained. This requirement shall be implemented by using a special category of set-asides to be known as small business-small purchase set-asides. The legislative history of section 221 indicates that Congress did not intend to complicate small purchase procedures but did desire that agencies give "first consideration to small businesses when small contracts are to be awarded."

Accordingly, the Department of Defense, General Services Administration, and the National Aeronautics and Space Administration are requested to amend the DAR, FPR and NASAPR respectively to include coverage substantially as follows:

1. A provision similar to the following with respect to nonmanufacturing small business industries: "If the procurement has an anticipated value of less than $10.000, and is subject to small purchase procedures, a non-manufacturer may furnish any domestically manufactured product."

2. (a) The statutory policy in 15 U.S.C. 644(j) that, "Each contract for the procurement of goods and services which has an anticipated value of less than $10.000 and which is subject to small purchase procedures shall be reserved exclusively for small business concerns unless the contracting officer is unable to obtain offers from two or more small business concerns that are competitive with market prices and in terms of quality and delivery of the goods or services being purchased."

(b) State in the same section that this requirement shall be implemented by using a special category of set-asides to be known as small business-small purchase set-asides.

3. The following procedure for small business-small purchase set-asides:

(a) Each small purchase procurement of supplies or services having an anticipated value of less than $10.000 is automatically set-aside for small business concerns:

(b) If the contracting officer determines that he can reasonably expect to obtain two or more offers from small business concerns that are competitive in terms of market price, quality, and delivery, he shall proceed to make an award under the small purchase set aside; in determining whether he can reasonably expect to obtain two or more such offers, the contracting officer should ascertain, by telephone or other informal means as appropriate, the availability of small business suppliers.

(c) If the contracting officer determines he cannot reasonably expect to obtain two or more offers from small business concerns that will be competitive in terms of market price, quality, and delivery, he need not proceed with the small purchase set-aside and may complete the procurement on an unrestricted basis.

(d) If the contracting officer proceeds with the small purchase set-aside and solicits offers, but receives only one responsive offer from a responsible small business concern, he shall make an award to such concern if it has offered a reasonable price.

(e) If the contracting officer proceeds with the small purchase set-aside and solicits offers, but does not receive any responsive offers from responsible small business concerns, he may cancel the small purchase set-aside and solicit offers on an unrestricted basis.

(f) If the contracting officer proceeds under (c) or (e) above, he shall document the file accordingly.

(g) Any written solicitation for a small business-small purchase set-aside shall contain a provision identifying it as such a set-aside made under section 15(j) of the Small Business Act.

(h) Existing appeal rights of small business specialists and SBA representatives with respect to set-asides shall apply to small business-small purchase set-asides.

4. Provide that small purchases not exceeding $500 may be made on a non-competitive basis from small business concerns. If the contracting officer determines that no small business source is available, the noncompetitive purchase may be made on an unrestricted basis.

5. Provide for prompt payment to contracts with a minimum of paperwork whenever small purchase procedures are used.

DOD, GSA, and NASA shall consult with SBA to ascertain those other sections of their respective regulations that should be changed by virtue of, and consistent with, section 221 of Pub. L. 95–507 and the above-stated policy changes.

Effective date: This Policy Letter is effective August 30, 1980.

Concurrence: This Policy Letter has been concurred in by the Director of OMB.

Dated: July 22, 1980.

Karen Hastie Williams,

Administrator.

[FR Doc. 80–22549 Filed 7–28–80; 8:45 am]

BILLING CODE 3110–01–M

31. M.O. 950—Irish Potatoes Grown in Maine.

32. M.O. 953—Irish Potatoes Grown in Virginia and North Carolina.

33. M.O. 958—Onions Grown in Idaho and Malheur County, Oregon.

34. M.O. 959—Onions Grown in South Texas.

35. M.O. 965—Tomatoes—Rio Grande Valley of Texas.

36. M.O. 966—Tomatoes Grown in Florida.

37. M.O. 967—Celery Grown in Florida.

38. M.O. 971—Lettuce Grown in South Texas.

39. M.O. 979—Melons Grown in South Texas.

40. M.O. 981—California Almonds.

41. M.O. 982—Oregon and Washington Filberts.

42. M.O. 984—California Walnuts.

43. M.O. 985—Far West Spearmint Oil.

44. M.O. 987—California Dates.

45. M.O. 989—California Raisins.

46. M.O. 991—Washington, Oregon, Idaho and California Hops.

47. M.O. 993—California Dried Prunes.

[FR Doc. 81-16700 Filed 6-4-81; 8:45 am]

BILLING CODE 3110-01-M

Office of Federal Procurement Policy

[OFPP Policy Letter 81-2]

Policy Guidance for the Labor Surplus Area Program

May 29, 1981.

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Policy Letter 81-2.

SUMMARY: By publication in the Federal Register of August 7, 1980, the Office of Federal Procurement Policy set forth for public and Government agency comment a proposed policy letter to clarify certain issues raised in connection with the existing policy guidance on Labor Surplus Area (LSA) set-asides. This Policy Letter reflects the comments received as well as some additional matters.

It provides that:

1. The Administrator of GSA, in consultation with heads of executive agencies, is to establish annual LSA targets based on total estimated dollars to be obligated.

2. Contracts awarded under set-asides pursuant to Public Law 96-302 shall be recorded by departments and agencies in fulfillment of their labor surplus area targets.

3. Contracts awarded under Pub. L. 96-302 for construction and other sit-specific contracts shall also be recorded in fulfillment of labor surplus area targets.

4. Contracts awarded under section 15(j) of the Small Business Act shall, to the extent possible, be recorded as awards against agency or departmental labor surplus area targets if the costs to be incurred by the contractor and its first tier subcontractors on account of manufacturing, production, etc., in labor surplus areas exceed 50% of the contract price.

5. Contracts awarded under section 15(j) to a non-manufacturer shall, to the extent possible, be similarly recorded if the costs to be incurred by the manufacturer and its first-tier subcontractors on account of manufacturing, production, etc., in labor surplus areas exceed 50% of the contract price.

6. GSA should ensure that firms performing in labor surplus areas are so listed in Federal Supply Schedules; agencies placing orders against GSA multiple award schedules are encouraged to use LSA firms to the maximum extent possible. GSA will establish Government-wide targets for agencies using Federal Supply schedules and the Federal Procurement Data System will identify awards of agencies to LSA firms against GSA multiple award schedules.

7. Subcontracts under set-asides to LSA firms by GOCOs shall be counted towards an agency's LSA performance.

8. Non-competitive awards under the 8(a) program, purchases from blind and handicapped workshops, and from Federal Prison Industries shall not be counted towards an agency's LSA performance.

9. Agencies should consider "other appropriate methods" of meeting LSA targets, as indicated in E.O. 12073.

DATE: The changes set forth herein will be effective July 1, 1981.

FOR FURTHER INFORMATION CONTACT: Owen Birnbaum, Deputy Associate Administrator for Regulatory Policies and Practices, 395-3455.

William E. Mathis,

Acting Administrator.

May 29, 1981.

Policy Letter 81-2

To the Heads of Executive Departments and Establishments

Subject: Policy Guidance for the Labor Surplus Area Programs

Government procurement policy should be uniform and consistent in application. This Policy Letter provides uniform clarification of issues raised in connection with existing policy guidance on the labor surplus area program.

1. Target Setting and Performance

a. In accordance with Executive Order 12073 of August 16, 1978, the Administrator of General Services is required to establish annual LSA targets in consultation with the heads of executive agencies. These targets are to be based on total estimated dollars to

OFPP Policy Letter 81-2

be *obligated* under LSA set-aside contracts during a fiscal year.

b. (1) Sections 15 (d), (e), and (f) of the Small Business Act (PL 96-302, July 2, 1980) accord priority in awarding of contracts and subcontracts to firms performing in areas of unemployment or underemployment or within labor surplus areas. These sections set forth the following priorities for small business set-aside programs: (i) total set-aside for small business concerns located in a labor surplus area; (ii) total set-aside for small business concerns; (iii) partial set-aside for small business concerns located in a labor surplus area; (iv) partial set-aside for small business concerns; and (v) total set-aside for firms not eligible under the first four priorities, not small business, and performing in labor surplus areas. Contracts awarded under such set-asides shall be recorded by departments and agencies in fulfillment of their labor surplus area targets.

(2) The requirements of Public Law 96-302 apply to construction and other "site-specific" contracts. Such contracts, when awarded under set-asides, shall also be recorded by departments and agencies in fulfillment of their labor surplus area targets.

c. (1) To the extent possible under existing record-keeping procedures, awards made under section 15(j) of the Small Business Act ("small business-small purchase set-asides" as described in OFPP Policy Letter 80-6, July 22, 1980) should also be recorded as labor surplus area awards against an agency or departmental target goal if the costs to be incurred by the contractor and its first tier subcontractors on account of manufacturing, production or appropriate services in labor surplus areas exceed 50 percent of the contract price.

(2) Under said section 15(j) and OFPP Policy Letter 80-6, July 22, 1980, award may be made under a small business-small purchase set-aside to a non-manufacturer furnishing the product of any domestic manufacturer, regardless of size. If the costs incurred by such manufacturer and its first-tier subcontractors on account of manufacturing, production, or appropriate services in labor surplus areas exceed 50 percent of the contract price, the amount of the award should also be recorded, to the extent possible, as a labor surplus area award.

2. GSA Multiple Award Schedule Contracts

a. GSA should ensure that firms performing in labor surplus areas are so listed in Federal Supply Schedules.

b. Agencies are encouraged to use LSA firms to the maximum extent possible when placing orders against GSA multiple award schedule contracts.

c. The Federal Procurement Data System report on LSA contracts will contain a separaige category indentifying all agency orders against GSA multiple award schedules. GSA will establish Government-wide LSA targets for each agency for these schedule contracts, based on past performance and estimated future potential.

d. Each agency will report its individual performance on the basis of actual obligations under these schedules. GSA will be responsible for monitoring agency performance and encouraging agencies to achieve the schedule targets.

3. GOCO Subcontracting

Subcontracts by Government-owned Contractor Operated (GOCO) facilities shall be counted toward an agency's LSA set-aside performance when these subcontracts are performed substantially in LSA's and are designated as set-asides.

4. Section 8(a) Contracts, Purchases From the Blind and Handicapped, Federal Prison Industries, and Other Single Source Contracts

Section 15(d) of the Small Business Act indicates that LSA set-asides are to be made when there is a reasonable expectation that offers will be obtained from a sufficient number of eligible concerns so that awards will be made at reasonable prices. In view of this statutory procedure designed to assist Labor Surplus Areas, agencies shall not count non-competitive 8(a) contracts, purchases from blind and handicapped workshops and purchases from Federal Prison Industries toward their LSA set-aside performance. However, if an agency or the Small Business Administration is able to set aside a particular product or service for competition among firms in labor surplus areas which are also in the 8(a) program, such contracts may be counted toward LSA set-aside performance.

5. "Other Appropriate Methods" To Meet LSA Procurement Targets

a. Executive Order 12073, August 16, 1978, states in part that the GSA Administrator, in cooperation with the heads of Executive agencies, shall encourage the use of set-asides or "other appropriate methods" to meet LSA procurement targets.

Accordingly, agencies should consider, and be alert to, such other possible methods as are appropriate to their procurement mission. Such agency efforts will assist in meeting the objects of E.O. 12073 and "foster economic development in labor surplus areas."

Effective Date: This Policy Letter is effective July 1, 1981.

Concurrence: This Policy Letter has been concurred in by the Director of OMB.

William E. Mathis,

Acting Administrator.

[FR Doc. 81-[illegible] Filed 6-4-81; 8:45 am]

BILLING CODE 3110-01-M

[OFPP Policy Letter 80-2; Supplement No. 1]

Regulatory Guidance on Section 211 of Public Law 95-507

May 29, 1981.

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Supplement to OFPP Policy Letter 80-2, April 29, 1980.

SUMMARY: OFPP Policy Letter 80-2, April 29, 1980, published in the Federal Register on May 9, 1980 (45 FR 31028) set forth amendments to be made to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulation (DAR) and the National Aeronautics and Space Administration Procurement Regulations (NASAPR).

This supplement to Policy Letter 80-2 resolves certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980.

It provides that:

1. Modifications over $500,000 to a contract already containing a plan do not require a new subcontracting plan, but the modification must contain new separate goals or revised goals.

2. The subcontracting plan for an individual procurement may incorporate an overall "master" plan.

3. An approved commercial products plan remains applicable beyond the fiscal year in whch it is approved, if contract deliveries extend beyond that fiscal year.

4. Contract-by-contract records are not required under a commercial products plan.

5. There is flexibility in determining the extent of required monitoring of subcontactor performance, and agencies may relieve prime contractors of this responsibility when appropriate.

DATE: The provisions of the supplementary Policy Letter will be effective June 30, 1981, but may be followed immediately.

CONTACT: Owen Birnbaum, Deputy Associate Administrator for Regulatory Policies and Practices, 395-[illegible].

William E. Mathis,

Acting Administrator.

May 29, 1981.

Policy Letter 80-2, Supplement No. 1

To The Heads of Executive Departments and Establishments

Subject: Regulatory Guidance on Section 211 of Public Law 95-507

Government procurement policy should be uniform and consistent in application. The purpose of this supplementary Policy Letter is to provide a uniform resolution to certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980 (45 FR 31028, May 9, 1980).

1. The question has been raised whether it is necessary to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. Policy Letter 80-2 indicates that subcontracting plans must be included, pursuant to Public Law 95-507, in contracts *and contract modifications* over the statutory thresholds. It also requires that the "contracting officer promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of contracting effort."

It is not necessary for the contracting officer to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. The modification may incorporate the existing plan by reference. However, the modification must either contain separate goals for the new effort or revise the original goals.

2. Another question has been raised as to whether the terms of an overall or "master" company subcontracting plan may be incorporated by reference into a specific plan submitted for a given contract over the statutory thresholds. This is acceptable provided: (1) the master plan contains all the elements required by the statute; (2) subcontract goals for small and small disadvantaged firms are specifically set forth in each contract or modification over the statutory thresholds; (3) any changes to the plan deemed necessary and required by the contracting officer in areas other than goals are specifically set forth in the contract or modifications; (4) the contracting officer has copies of the entire plan; and (5) the resident Procurement Center Representative (PCR) of the Small Business Administration has had an opportunity to comment on the master plan.

3. A third question relates to the applicability of an approved commercial products plan beyond the fiscal year in which it is approved. Policy Letter 80-2 states that:

"If a commercial product is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer."

The approved plan shall apply to all deliveries made under contracts entered into during the contractor's fiscal year, even through those deliveries are made in a succeeding fiscal year. The contractor shall submit a new plan to the first agency with which it enters into a contract (over the statutory threshold) during a succeeding fiscal year. The new plan shall apply to all deliveries made under contracts entered into during the succeeding fiscal year, no matter when those deliveries are made.

4. Also with respect to commercial products plans, there is a question whether the contractor is required to keep "contract-by-contract" records pursuant to paragraphs 3f (3) and (6) of the Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) and (Advertised) clauses. Such contract-by-contract records would be incompatible with the concept and purpose of an annual company-wide plan, and are not required.

Accordingly, OFPP Policy Letter 80-2 is amended by adding the following sentence at the end of paragraphs 3f(3) and 3(f)(6) of both the Negotiated and Advertised clauses: "This

Comments on Testimony of Donald J. Checki

1. Mr. Checki states that "unless a potential bidder receives the appropriate solicitation and specifications in a timely fashion", a timely bid obviously cannot be submitted. Mr. Checki attached to his testimony a letter he sent to the Director, Office of Small and Disadvantaged Business Utilization, Office of the Secretary of Defense, indicating that for a 2-month period metal fabricators, "were unable to respond to 70 percent of the current solicitations because of these problems".

   We have asked the Department of Defense to furnish us with a copy of its reply to Mr. Checki and will attempt to resolve this problem to Mr. Checki's satisfaction.

2. Mr. Checki also raises questions as to the Government's (DOD) providing samples of items being procured, especially of apparel items and sewn goods such as handbags, duffel bags, canteen covers, etc. He contends that samples are especially necessary since Government-furnished drawings are inadequate. We have asked the DOD to advise us of its response to Mr. Checki and for its view as to whether corrective action is necessay.

3. The Department of Defense has organized a Task Force to investigate all matters raised in Mr. Checki's letter. OFPP has asked to be advised of the progress of the Task Force and given copies of its reports.

Comments on Testimony of Mr. Patrick P. Lee, Endine, Inc.

1. Mr. Lee stated that, "delays caused by Government drawing errors and their associated approvals" was a serious problem in doing business with DOD. Further, he criticized the procurement procedures in DOD relating to completion of action on a DCASMA-approved request for a design change order or processed approval.

   We have asked DOD for its comments on Mr. Lee's criticism and will review them when received.

2. Mr. Lee also stated that under P.L. 95-507, Section 211, subcontracting, large prime contractors, in their plans, generally propose subcontracting to small business principally for supplies and services that normally go to small business. Further, that the subcontracting to small firms of "complete project or component responsibility is limited".

   We will raise this question with both SBA and DOD and attempt to improve the situation, if possible. We believe that the spirit, if not the letter, of P.L. 95-507 contemplates something beyond "subcontracting, as usual", to the largest extent possible.

Comments on Testimony of Mr. Terrence E. Ford, of Gould, Inc.

Ocean Systems Division

1. Mr. Ford states that, "strict enforcement of Public Law 95-507, mandatory use of minority and disadvantaged small business subcontractors, made Ocean Systems Division rethink its nationwide approach to the buying of outside parts, services, and supplies". It also states that Government regulations can, at times, be a "blessing in disguise". Further, that regulations by forcing contractors, "to do things differently" can require that traditional practices be re-evaluated, "and sometimes the results can be surprisingly beneficial". As the office responsible for the development of the P.L. 95-507 subcontracting regulations, OFPP is pleased to read Mr. Ford's remarks. Also, we will be communicating with Mr. Ford to obtain from Gould Co. any information that might be helpful to other prime contractors in complying with P.L. 95-507.

2. Mr. Ford states that the incentive program under P.L. 95-507 should be strengthened. We recently asked the departments and agencies to report to us on the results of their test programs using incentive clauses under P.L. 95-507. After reviewing the reports, we will prepare additional guidance to the agencies, if required.

3. Mr. Ford states that, "it would certainly save a great deal of time and cost if there were just one coordinating Federal agency collecting the information we report". We do not believe this is possible under Public Law 95-507 which requires subcontracting plans be submitted on a contract-by-contract basis. Reporting, therefore, must necessarily be on the same basis; with reports made to each agency awarding a contract subject to the statute. We have recently, however, developed standard reporting forms for reporting subcontracting under P.L. 95-507. These forms are for reporting on individual contracts and on a quarterly basis.

4. Mr. Ford's suggestion that the Government consider setting "annual goals for compliance" cannot be followed under the "contract-by-contract" plan requirements set forth in section 211 of the statute.

Comments on Testimony of Dr. Gail Schwartz

1. The bulk of Dr. Schwartz's testimony concerns general matters more appropriately for the consideration of the SBA (difficulty of small firms in obtaining capital, retaining skilled workers, role of small business in the economy, etc). We are, accordingly, forwarding a copy of her testimony to that agency for its careful consideration.

2. Dr. Schwartz states that small firms performing for DOD have problems (1) complying with paperwork requirements, and (2) "conforming with social objectives such as Davis Bacon".

   A major effort of OFPP is developing the new Federal Acquisition Regulation. We believe that this new, unified regulation will make it considerably easier for small firms to do business with the Government.

   OFPP is of the opinion that the various socio-economic programs appended to the procurement process make it more difficult for business to bid on and perform Government contracts. Small firms, we believe, are particularly affected by the burden the socio-economic programs impose. The effect of these programs will be considered in our report on the New Federal Procurement System. We do not believe, however, that the small business program (which some regard as one of the socio-economic programs) should be reduced in scope or content.

3. Dr. Schwartz recommends that the DOD should, "revise its definition of 'small' firms which currently applies to firms of 500 employees or fewer". SBA, not DOD, determines which companies are "small". However, we do agree that the definitions and classifications of what is a "small business" should be reviewed with the ultimate objective of reducing the number of "small" businesses.

4. Finally, we concur in her suggestion that serious consideration should be given to the current restrictions on multi-year funding.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

SEP 4 1981

Honorable John J. La Falce
Chairman. Subcommittee on
General Oversight
Committee on Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515

SEP 9 1981

Dear Mr. Chairman:

On July 31, 1981, we sent you an interim response supplying certain of the information you requested at the Small Business Oversight Subcommittee hearing on June 23, 1981.

This letter forwards the balance of the information you requested. Included herewith is the following:

1. Responses to questions raised by you and other Committee members after my testimony.
2. Comments on the testimony of:
    a. Mr. Herman Director, National Small Business Administration.
    b. Mr. Daniel P. Barry, Director of Industrial Services, Local Development Corporation, Buffalo, N.Y.
    c. Mr. Anthony J. Steinhauser, Washington Supervisor, Commerce Business Daily, Department of Commerce.

We trust this information is of assistance to you and appreciate having been afforded the opportunity to express our views on these important topics.

Sincerely,

Donald E. Sowle
Administrator

Enclosures

Responses To Questions Asked At The Hearing

You asked whether OFPP has considered implementing section 211 of P.L. 95-507 which states that every Federal agency is "authorized to provide such incentives as it may deem appropriate in order to encourage such subcontracting opportunities as may be commensurate with the sufficient and economical purpose of the contract." Paragrah D of OFPP Policy Letter 80-2 of April 29, 1980, implementing section 211 of P.L. 95-507, specifically sets forth an incentive provision for use in connection with a subcontracting plan.

By memorandum of August 1, 1979, OFPP requested that agencies with procurement budgets of over $5 million, on a pilot program basis, use an incentive provision in selected negotiated contracts and report the results to us. By our memo of July 16, 1981 we extended the reporting deadline to Septemer 1, 1981.

When we receive all the results we will, in cooperation with SBA, provide further guidance to the agencies on the use of incentive provisions.

At the testimony you asked "what steps has OFPP taken to provide a comprehensive listing of LSA firms to procurement officials?" You further stated your understanding "that Executive Order 12073 assigns this specific responsibility to OFPP."

Under E.O. 12073, of August 16, 1978, OFPP is responsible for the "overall direction and oversight of the policies affecting procurement programs for Labor Surplus Areas." However, this same Executive Order gives the General Services Administration operational control of the LSA program. It directs GSA " to establish specific labor surplus area procurement targets for Executive agencies in consultation with the heads of those agencies" and, in cooperation with them, to "encourage the use of set-asides or other appropriate methods for meeting procurement targets in labor surplus areas."

Pursuant to the specific direction contained in President Carter's report to Congress of July 22, 1980, on the Labor Surplus Area program, the OFPP chaired an Interagency Task Group to Study the Government's LSA source needs. In our report to President Carter of December 9, 1980, under our discussion of "Decentralized Source List Effort," we indicated that OFPP had advised each agency to "take appropriate steps to (1) identify LSA firms on its existing lists and (2) add the names of LSA firms not now on agency lists but desiring to perform Government contracts."
Also, as we indicated, agencies were briefed by Mr. Madison of GSA and further advised in detail as to the Centralized Computerized Bidder's Mailing List System (CCBML) of the Federal Supply Service in GSA. Under the CCBML a contracting officer, on a commodity basis, can identify (by name) small business firms, in labor surplus areas, potentially available to bid on a Government solicitation.

A single "comprehensive listing of LSA firms" (to be furnished by OFPP or another government agency) would probably include 25,000 - 30,000 companies which would partially duplicate the SBA PASS System. The PASS System in SBA, a computerized data base of approxmately 48,000 small firms, can identify some 14,000 small firms performing in labor surplus areas. PASS identifies these firms when specific source requests are made by Federal procurement offices or buyers in the private sector. We believe that these actions adequately fill any need for a listing of LSA firms.

Representative Weber indicated his belief that possibly a "lack of communication" existed between OFPP and the small business community. At another point, you "strongly suggested" that we form a task force on the problems of the small business man seeking government procurement contracts.

Although we are of the opinion that our communication with small business has been and remains good, we will strengthen our relationships by meeting with representatives of the National Small Business Association, National Federation of Independent Business, Smaller Business Association of New England (SBANE), National Association of Black Manufacturers, and other small business and women business groups, as well as the Small Business Administration.

You stated your concern about the DOD Spare Parts Breakout Program and expressed your belief that OFPP should take action in this area. We have reviewed Mr. Seidman's testimony on this subject. As we indicated in answer to your questions, we are very much aware of the difficult problem of securing competition in the procurement of spare parts. Further, as we stated, our basic policy is to try to "break out any item that can be procured separately." We will suggest to the Office of the Secretary of Defense that the Joint Logistics Commanders, who meet as a group quarterly, consider this problem and take all possible steps to effect the greatest achievable procurement competition.You requested that I consider whether the bidding time for procurements is adequate for small firms to prepare and submit bids. Procurement regulations provide that "consistent with the needs of the Government for obtaining the supplies or services, all invitations for bids shall allow sufficient bidding time to permit bidders to prepare and submit bids." The regulations also state that "as a general rule, bidding time shall not be less than 20 days when procuring standard commercial articles and services and not less than 30 days when procuring other than standard commercial articles or services." The regulations further state that "procuring activities shall develop procedures for ensuring that these bidding time requirements are observed."

In view of your Committee's concern we will, in coordination with SBA, bring this matter to the attention of DOD and the civilian procuring agencies and ask their cooperation in assuring that the letter and spirit of the above-mentioned regulations are followed.

Comments on Testimony of Herman Director, National Small Business Association

Our comments upon Mr. Director's remarks are in the same order as they appear in his testimony.

First, Mr. Director states that, there has been "an increasing tendency in government to compete with private business in providing additional in-house participation at the expense of commercial opportunities, even at higher costs to the taxpayer. This he states, is "counter to the goals of P.L. 95-507, October 24, 1978 ..."

The executive branch has taken significant measures to decrease the amount of competition with the private sector. We have specifically endorsed the provisions in OMB Circular No. A-76 and indicated in the budget revision for fiscal year 1982 that the Administration would enforce compliance with the requirement of the Circular. In April of this year the Deputy Director of OMB wrote to each agency head to express interest in their accomplishments in furthering greater reliance on the private sector. Their actions and the known savings that can occur through implementation of the Circular have become a matter of budgetary interest within OMB. We are encouraged to see that there have been many positive results of these measures and that an increasing number of cost studies are being conducted to determine whether a private sector alternative will yield savings in agency operation.

Mr. Director cites as an "obstacle" to small business in government procurement "Inadequate time allowed from the time of Publication of Bid Notice to Bid Opening Date". As indicated above we will, in coordination with SBA, bring this matter to the attention of DOD and the civil procuring agencies and ask their cooperation in assuring that the letter and spirit of the procurement regulations already covering this subject be followed.

Mr. Director states that bid sets are not available to small business. As indicated in our comments on Mr. Checki's testimony, forwarded in our letter to you of July 31, 1981, we will discuss with Department of Defense and the civilian procurement agencies the matter of unavailability of bid sets and specifications.

The "obstacle" of "multiple definitions of size standards" is a matter properly for the consideration of the Small Business Administration. However, we agree that the number of size standards should be greatly reduced.

As to the "obstacle" of "Rotation Policies on Bidders Lists'" we believe that rotation is at times necessary to assure that the administrative costs of a procurement are commensurate with the dollar value of the purchase to be made. Procurement regulations do specifically provide, however, that "in rotating a list, the interests of small business ..... shall be considered." Further, the regulation also provides that bidders mailing lists shall include "all established and potential small business concerns and potential small business concerns that are also potential labor surplus area concerns."

Mr. Director states "the Department of Labor usually requires bid request responses within five to ten days." We have requested the Department of Labor to ask Mr. Director for more details as to this allegation. In the meantime, pursuant to our recent discussion with him, Mr. Walter Terry, the OSDBU Director at the Labor Department, has reminded contracting personnel of the importance of allowing adequate bidding time. A copy of his August 10, 1981 memorandum is enclosed. Also, we have called to GSA's attention Mr. Director's statement that "GSA is increasingly requesting a charge for bid set specifications." In this regard, GSA advises that it is responding directly to you on this same matter, pursuant to a request you made of that agency.

Mr. Director recommends that "Each agency or contracting office should have a small business set-aside officer with specifically documented authority to monitor and establish set-asides for the small business community." He adds, "As it is today, the small business set-aside often appears to be a matter of happenstance or abitrary decision - just barely conforming to federal procurement policies. Further, a greater number of small business set-asides should be established for all types of business." Mr. Director also claims that "small business set-asides are appearing less frequently."

We have discussed these comments with SBA officials. They state that set-aside dollar award totals, as a percentage of total Federal procurement dollars, have risen over the last few years (6.5% in FY 79, 7.0% in FY 80 and 7.9% in FY 80). Further, the procedures for initiating a small business set-aside are clearly stated in the procurement regulations.
The procuring agencies have small business specialists (working under the agency offices of Small and Disadvantaged Business Utilization) whose job it is to recommend that certain procurements be set-aside. In the Department of Defense and the larger civil procuring agencies these specialists screen all procurements over $2500 for possible small business set-asides. Further, SBA has its own Procurement Center Representatives (PCRs) assigned to the major Government procuring installations whose duties include the initiation of small business set-asides. It is true, however, that if SBA had more than the sixty PCRs it now has (who generally concentrate on the subcontracting program under section 211 of P.L. 95-507) the number of set-asides would probably increase.

As to Mr. Director's comment that "contracting officers should be trained to overcome the obstacles to small business participation in government procurement" we will suggest including this matter in appropriate courses of instruction, through the Federal Acquisition Institute (FAI).

Mr. Director states that "bid notices and contracts directed toward big business capabilities should include an estimate of the dollar amounts and percentages of anticipated small business subcontracting." In our opinion, the requirement of section 211 of P.L. 95-507 that prime contractors (on contracts over $500,000 and construction contracts over $1,000,000) submit preaward subcontract plans is preferable to Mr. Director's suggestion. Further, all proposed procurements over $5,000 ($10,000 for the Defense Department) are synopsized in the Commerce Business Daily. That synoposis and the the "section 211" requirement, taken together, should enable small and small disadvantaged firms to find out what subcontracting opportunities are available and to pursue those opportunities with large prime contractors.

We do not agree with Mr. Director's suggestion that "the Congress should establish a percentage goal for small business set-asides, as well as minimum levels of contract awards to small business both for general procurement and for Research and Development." Section 221 of P.L. 95-507 requires that "the head of each Federal agency shall, after consultation with the Small Business Administration, establish goals for the participation by small business concerns ... in procurement contracts of such agency having values of $10,000 or more." The goals so established are required to "realistically reflect the potential of small business concerns to perform such contracts and to perform subcontracts under such contracts." We believe the current requirements of law (section 211) are more than adequate in the area with which Mr. Director is concerned. Also, we call to your attention the Department of Defense Small Business Advanced Technology Program. Under this program $8 million in Phase I and $24 million in Phase II is being reserved for awards to high-technology small business firms. The DOD program is patterned after a program in the National Science Foundation under which contracts totalling $11 million have been awarded to small businesses. NSF also plans to award in the near future, an additional $4 million to small firms under this program. Under both programs the awards are over and above the awards which small business would receive through the usual procurement process.

Mr. Director states that the government should "require preparation of contract awards reports on the basis of product or service procured rather than listing awards by procuring agencies." The new Federal Procurement Data System makes available the total of contract awards to small business in some 600 Federal System Classifications and Descriptions. In addition, some of this information is available at field procurement agencies such as the Defense Personnel Support Center in Philadelphia.

Finally, we have brought to the attention of the officials of the Commerce Business Daily Mr. Director's comments with respect to that publication.

Comments on Testimony
of
Daniel D. Barry,
Local Development Corporation,
Buffalo, New York

Mr. Barry notes, in commenting upon the LSA test program in the Defense Logistics Agency (DLA), that DLA requires that a bidder, in order to be able to compete, complete a form entitled "Offeror's Representation as to Impact on Employment." The form requires the company "to attest to the location of the work performed, employees retained, and employees added." Mr. Barry also notes, critically, that the form provides that "if an offeror fails or refuses to give the required information he shall be ineligible to participate in the acquisition covering the set-aside."

We have discussed Mr. Barry's comments with the Small and Disadvantaged Business Utilization Office of DLA. They point out that DLA is required by statute to report to Congress on the results of the test program including among other items, the "employment change caused by the contract awards nation wide and on each labor market affected." They did indicate, however, that they would review the form to see if it could be simplified. Further, DLA stated it would review its requirement that the bidder either furnish the information or risk not receiving an award.

Mr. Barry contends that "the directory of PCRs listing the names of the individual PCR, the procurement facility and phone number is classified by the SBA as being 'for official use only' and thereby exempt from the Freedom of Information Act.'" SBA has advised us that the directory is classified "For Internal Use Only," not "For Official Use Only." Any one asking for a copy of the directory is given one (as was Mr. Barry), but the existence of the directory, SBA advises, is not publicized. SBA prefers that small firms with marketing or other problems not call on the PCRs but use the services of the small business specialists in the agencies. (DOD alone has 620 such specialists of whom 30% are full-time).

Comments on
Testimony of Anthony Steinhauser
Department of Commerce

Mr. Steinhauser, the Washington, D.C. Supervisor of the Commerce Business Daily (CBD), stated that he submitted to OFPP "Christmas eve two years ago" a paper which incorporated all his Office's thoughts for improvements in the procurement regulations. Mr. Steinhauser has since furnished us a copy of the document in question. His memorandum, apparently in response to an earlier OFPP Federal Register notice and request for comments, was addressed not to the OFPP (as the Federal Register notice directed) but to a project officer of the Federal Acquisition Regulation (FAR) staff. The FAR office, which had no record of acceptance of his memorandum, nonetheless advises that eleven of his recommendations were subsequently incorporated into the final draft of Part 5 of the FAR distributed for public comment on March 9, 1979. Two recommendations were incorporated in modified forms and two were not incorporated.

In any event, we are setting forth our comments on the recommendations made by Mr. Steinhauser in testimony before your Subcommittee.

We agree with Mr. Steinhauser's suggestion to "advertise all proposed procurements of $10,000 or more from both civil and military agencies."

We believe there would be little value in adopting Mr. Steinhauser's recommendation that all "competitive" grants be advertised in the Commerce Business Daily. Eligible recipients for most discretionary assistance awards are frequently limited by statute, thus obviating the need for general announcements of competition in the CBD. Appropriate competitive processes have been established by individual agencies for the award of discretionary grants, in line with basic program purposes. In instances where competition for assistance awards is open to a wide range of recipients and program purposes would be well served by a broad announcement of opportunity to compete for such awards, agency publication of notice in the CBD would not be inappropriate. But that decision should be made by individual program managers, not mandated in a government-wide policy. Mr. Steinhauser also suggests that contract opportunities under grants "should probably be published too." We believe that existing OMB guidelines and standards relating to procurement under assistance programs are adequate. Our desire, here, is to avoid over-regulating these recipients (who are not agents of the Government) in the exercise of their discretion.

Mr. Steinhauser recommends "the advertising of all contract modifications that would increase expenditures by $10,000 or more." Procurement regulations provide for the synopsizing of every proposed procurement over $5,000 ($10,000, military) "including modifications to existing contracts when new funds are obligated for additional supplies and services." The regulations also provide that "modifications to an existing contract resulting from price changes, engineering changes, overruns," etc., need not be published. We think there would be little purpose publicizing modifications resulting from change orders where the work, of necessity, must be performed by the company holding the basic contract.

Mr. Steinhauser suggests the "advertising of all proposed procurements for personal and professional services." Procurement regulations provide, consistent with the Small Business Act, that while such service contracts normally need not be publicized "contracting officers shall synopsize personal and professional services when it is feasible and practicable to do so and the best interest of the government will be served." Thus, the regulations narrow the unlimited discretion afforded by the statute to exempt such procurement from the publication requirements. While there may be an unusual occasion where, in the language of section 8(e)(10) of the Small Business Act, "advance publicity is not appropriate or reasonable", we agree with Mr. Steinhauser that notice of the procurement of personal or professional services should be published in the Commerce Business Daily. The exceptional procurement, where publication is not appropriate, can be exempted under the terms of section 8(e)(10) of the Small Business Act. This recommendation is one of those incorporated into the final draft of Part 5 of the FAR.

Mr. Steinhauser also recommends that procurement of services from educational institutions be published in the CBD. Such publication is currently exempt under both statute and procurement regulations. We do not agree with Mr. Steinhauser's evaluation of educational institutions as "almost businesses" and believe there would be little value, if any, in publishing such procurements in the CBD. Publications of special interest to educational institutions are, of course, available as a means of publicizing such procurements.

Our comments regarding adequacy of bidding time are contained in the section of this report wherein we respond to questions raised during our testimony.

U.S. DEPARTMENT OF LABOR
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D.C. 20210

AUGUST 10, 1981 OSDBU MEMO NO. 16-81

MEMORANDUM FOR: CONTRACTING OFFICERS
SMALL BUSINESS SPECIALISTS

FROM: WALTER C. TERRY Walter C. Terry
Director
Office of Small and Disadavantaged
Business Utilization

SUBJECT: Solication for Bids

Small Business has criticized the Department for establishing restrictive bidding dates in many solicitations.

The publicizing of the procurement requirements must be accomplished in sufficient time to allow prospective bidders to prepare their bids and to submit them before the time set for opening of the bids. Publicizing includes distribution to prospective bidders, posting in public places, and other means of informing prospective bidders.

As a general rule, bidding time shall be not less than 20 calendar days when procuring standard commercial articles and services and not less than 30 calendar days when procuring other than standard commercial articles or services.

Your cooperation in insuring that small business firms have sufficient bid time will be appreciated.

SMALL BUSINESS AND THE FEDERAL PROCUREMENT SYSTEM

TUESDAY, JUNE 23, 1981

House of Representatives,
Subcommittee on General Oversight,
Committee on Small Business,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce, chairman of the subcommittee, presiding.

OPENING STATEMENT OF CHAIRMAN LaFALCE

Mr. LaFalce. The Subcommittee on General Oversight will come to order.

This morning our subcommittee begins the second of 3 days of hearings investigating the relationship between small business and the Federal procurement system.

The 3 days of subcommittee hearings will focus on the following areas:

One, the development of the congressionally mandated programs designed to insure that the small business sector has an equitable opportunity to compete for Federal procurements;

Two, the commitment, or lack of commitment, of the agencies and the administration to implement congressionally mandated programs designed to insure that the small business sector has an equitable opportunity to compete for Federal procurements; principally the 507, LSA and various set-aside programs; and

Three, the obstacles which continue to frustrate small business participation in the Federal procurement system.

With procurement contracts in excess of $100 billion annually, the procurement policies of the Federal Government will either foster the growth of our Nation's small business or contribute substantially to the decline of small business by promoting the trend toward giant corporate control of both our economy and the Federal procurement system.

The small business sector is not asking for favors. It is merely requesting a fair opportunity to compete. However, as anyone familiar with our Federal procurement system can attest, the deck is heavily stacked.

To offset the obvious advantages enjoyed by the major Government contractors, Congress has enacted a number of small business preferential programs. That is part of the law of the United States of America.

Perhaps the best known of the preferential programs is section 15 of the Small Business Act, commonly referred to as the small business set-aside program. Although this is the oldest of the small business preferences, Congress has provided the following preferential programs:

One, the section 8(d) small business subcontracting program; two, the 8(a) minority small business set-aside program; three, the section 15(i) small business research and development set-aside program; four, the section 15(j) small business small purchases set-aside program.

Each of these preferential programs reflects congressional intent to guarantee the survival and growth of the small business sector of our economy.

In 1977, the Congress reaffirmed its cognizance of the fundamental role played by small business not only in guaranteeing the free enterprise system, but also in combating high unemployment and urban distress. In Public Law 95-89, the Congress authorized the Federal agencies to set aside contracts for small businesses which perform a substantial proportion of the contract work in labor-surplus areas.

By targeting the Government's purchase of goods and services to those areas of greatest unemployment, we believed that we could stimulate private-sector activity and derive maximum social and economic benefits.

In 1978, the Congress enacted Public Law 95-507 to increase the small business share of the Federal procurement dollar by maximizing their opportunities to participate in the performance of all contracts let by the Federal agencies. Public Law 95-507 greatly expanded the small business subcontracting program, strengthened the minority set-aside program, and created the research and development and small purchase set-aside for small business.

The law also made it easier in theory, at least, for small businesses seeking Government contracts to receive bid sets, specifications, and other necessary materials.

The law spells out in considerable detail the circumstances under which a contractor must provide for small business subcontracting opportunities, the contents of subcontracting plans, the obligations imposed upon contractors to carry out this policy in awarding subcontracts, the obligations imposed on the Federal agencies to carry out this policy and, finally, the various means for enforcing this program.

Congress provided that a best-efforts subcontracting clause be included in most contracts in excess of $10,000 which essentially requires a contractor to provide the maximum practicable opportunity for small business to participate in subcontracting. Furthermore, all solicitations for contracts in excess of $500,000, or $1 million if for construction, must contain a clause notifying prospective offerors or bidders that the apparent successful offeror or bidder, if other than a small business, must submit a subcontracting plan. The subcontracting plan must include, among other items, the percentage goals for the utilization of small and disadvantaged business as subcontractors and assurances that the offeror or bidder will include a "best efforts" clause in all subcontracts he may make which provide further subcontracting opportunities.

To insure compliance with the law by prime contractors, Congress provided that: One, an apparent successful offeror who fails to negotiate a subcontracting plan becomes ineligible to be awarded the contract; two, an apparent low bidder selected to receive a contract who fails to submit a subcontracting plan shall be ineligible to be awarded the contract; three, any plan negotiated by an offeror must provide the maximum practicable opportunity for small and small disadvantaged business to participate in the performance of the contract; and four, the failure of any contractor or subcontractor to comply in good faith with either the best-efforts clause or a subcontracting plan constitutes a material breach of the contract or subcontract. By providing that the plan is a material part of the contract, and that the failure to adhere to it is a material breach, Congress has put the prime contractors on notice that ignoring the concerns of small business will not be treated lightly as they had been in the past.

To insure proper implementation of and subsequent compliance with the subcontracting program by the Federal Government, Congress provided the various agencies and departments with specific functions and duties. The Office of Federal Procurement Policy was authorized and directed:

> To promulgate a single, simplified, uniform Federal procurement regulation and to establish procedures for insuring compliance with such provisions by all Federal agencies.

The SBA was given ample authority to review, to assist, and consult with the Federal buying agencies and prime contractors to facilitate their compliance, and to report to Congress on plans it finds unsatisfactory.

Each Federal agency with procurement authority was required to establish an Office of Small and Disadvantaged Business Utilization to implement and execute the subcontracting functions and duties of the agency. Furthermore, each Federal agency was required to:

One, cooperate and consult with SBA on a regular basis with respect to compliance; two, report to the SBA on the extent of participation by small business in procurement contracts; three, establish goals with SBA for participation by small business to perform subcontracts; four, conduct studies or surveys as may be necessary to determine the extent of a prime contractor's compliance with the best-efforts clause; and, five, provide incentives to encourage subcontracting opportunities for small business in noncompetitive or sole source-contracts, which comprise the bulk of the Federal procurement dollar.

The Congress has taken this approach toward the small business sector of our economy because of the benefits derived by our Nation, both socially and economically. As I have said repeatedly, increased access to, and participation in, Government procurement by small business must rank as a very high priority.

The principal reason for this is that the state of the small business community is directly linked to the economic health and wellbeing of our economy.

Last Thursday the subcommittee heard testimony from a number of witnesses who articulated the myriad of ways in which the

Federal agencies continue to discourage participation by the Nation's small business sector in the Federal procurement system.

The subcommittee witnesses testified as to the following:

One, the disappointing performance of the Federal agencies in expanding the opportunities for small business;

Two, how the small business share of Federal procurement has evidenced no appreciable growth in recent years, despite the clear intentions of Congress;

Three, how bid sets and specifications were very often unavailable to small businesses despite the enactment of Public Law 95-507 which mandates their availability;

Four, how inadequate time is allowed, usually 6 to 10 days, from the time of publication of bid notice to bid opening date;

Five, the increasing number of sole-source procurements;

Six, how small businesses are often excluded from bidding for Government contracts due to the lack of specifications and data which the Government owns but has failed to obtain from the original contractors;

Seven, how Government change orders and design errors impose unnecessary and often devastating financial hardships upon small business;

Eight, how agency requirements for bidder "prequalification" are increasingly utilized to discriminate against small business.

I trust the various agencies called to testify this week will be prepared to respond to these indictments of the procurement system.

Ironically, although we had so many indictments last Thursday, that hearing also produced perhaps one of the single most encouraging segments of testimony I have heard in this Oversight Subcommittee over the past few sessions of Congress.

For those who have labored for so long to impress upon the Congress and the administrative agencies the potential benefits that will accrue to both industry and Government from an expansion of the small business base, the testimony of the representatives of the Ocean Systems Division of Gould, Inc. of Cleveland, Ohio, was like the arrival of a long overdue letter from home.

Gould, whose Oceans Systems Division accounts for more than $220 million in Government contracts annually, presented testimony detailing how the expansion of their small business supply and machining base, in compliance with the small business subcontracting requirements of Public Law 95-507, had actually resulted in savings of millions of dollars for Gould's Cleveland-based division.

Gould's representatives were refreshingly candid in their admission that they had initially viewed Public Law 95-507's small business subcontracting requirements as merely another costly, Government interference in their production schedule. In fact, a dismal past performance under Public Law 95-507 had dictated the need for creative alternative approaches.

Old ways die hard. Gould's purchasing people were comfortable and practiced in dealing with a wide variety of national vendors. They were also skeptical, indeed, that any benefits might accrue to the company as the result of some federally mandated program.

The establishment of Gould's innovative small business outreach program required constant pressure and motivation from the highest levels of management to avert the death of this program in its infancy.

Once in place, the results were undeniable. The Ocean Systems Division expects to save from $2 million to $3 million in parts, services and supplies on annual purchases of only $12 to $14 million.

The most dramatic result of building a new base of 72 small local suppliers was the division's ability to reduce its cost for machined parts by 35 percent, overall savings on purchased parts to date is running 27 percent, with all awards made on a strictly competitive basis.

Gould's innovative approach to developing their solid cadre of small business suppliers was highlighted in a video tape presentation made to the subcommittee. The tape, which was developed internally for distribution to Gould's 20 divisions, should be mandatory viewing for all Federal procurement officials. Since last Thursday both the Department of Defense and the Small Business Administration have requested copies of the tape.

In many ways the Gould experience represents a microcosm of what should be occurring throughout the Federal procurement system with proper implementation of Public Law 95-507.

If that is ever to come to pass over the next few years, this administration must begin to assert the leadership necessary to motivate the procurement system.

I certainly hope I am mistaken in my initial perception of this administration's commitment, or more to the point its lack of commitment, toward small business participation in Federal procurement.

If, however, my perception is borne out by these hearings and by the priority accorded these programs in the weeks and months ahead, then this set of hearings will represent only the first of many such hearings during this Congress as we document this administration's record regarding small business.

We are very fortunate in being joined by a former member of this subcommittee who has somehow catapulted beyond this subcommittee and is now the chairman of the full Small Business Committee, Congressman Mitchell.

He is chairman of the full committee.

Do you have any comments you would like to make?

OPENING STATEMENT OF HON. PARREN J. MITCHELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. **Mitchell**. Thank you, Mr. Chairman.

I miss being home, so I thought I better drop back in.

I want to commend you for putting on these hearings. There is no doubt in my mind but that the laws which have been passed by the Congress can be of significant value to small business in America, if there is a willingness and a commitment on the part of the various agencies of Government to actively implement those laws.

I recall last year when you had more hearings in your subcommittee than had ever taken place in the history of the subcommittee, and I commend you for this one.

It is of particular interest and that is why I decided to sit in this morning, and I thank you for letting me sit in with you.

Mr. LAFALCE. Mr. Weber?

Mr. WEBER. No, no comment; let's proceed.

Mr. LAFALCE. All right. I will now call up the new 1-day-old Administrator of the Office of Federal Procurement Policy, Mr. Donald Sowle.

You may proceed, Mr. Sowle.

TESTIMONY OF DONALD SOWLE, ADMINISTRATOR-DESIGNATE, ACCOMPANIED BY LEROY J. HAUGH, ASSOCIATE ADMINISTRATOR, AND OWEN BIRNBAUM, DEPUTY ASSOCIATE ADMINISTRATOR, REGULATORY POLICIES AND PRACTICES, OFPP

Mr. SOWLE. Thank you very much.

I would like to introduce two of my staff people.

Mr. Haugh on my right is the Associate Administrator for Regulatory Policies and Practices in OFPP, and Owen Birnbaum on my left is his deputy in that office.

Thank you for inviting me to testify on small business as related to Federal procurement.

I am especially pleased to make this presentation as this is my first appearance since being confirmed as the Administrator.

First of all this morning I would like to outline briefly the background of our responsibilities in OFPP under our enabling statutes. Then I will discuss the topics you mentioned in your letter inviting me to appear this morning.

These all relate to implementation of the 1978 Amendments to the Small Business Act, Public Law 95-507, as follows:

One, OFPP's role in the goal setting process in fiscal year 1981 and prior years;

Two, our involvement in implementation of OFPP policy letter 80-6, the program of reservation of small purchases for small business, "Small business-small purchase set-asides", and;

Three, OFPP actions to develop a single Government-wide regulation required by section 222 of Public Law 95-507 initially.

Because of its importance, I would also like to briefly discuss OFPP's actions under the statutory provisions—of Public Law 95-89 and Public Law 96-302—establishing priority categories for small business and labor surplus area set-asides.

With respect to our responsibilities, OFPP is the focal point for, and therefore responsible for providing leadership in the development and coordination of, Government-wide procurement policy, practices and procedures. This responsibility is set forth in the Office of Federal Procurement Policy Act of 1974—Public Law 93-400—as amended in 1979—by Public Law 96-83.

The Congress' declared policy objective was "to promote economy, efficiency, and effectiveness" in Federal procurement. To achieve this objective, the Congress called for "greater uniformity and simplicity in procurement procedures" and the "coordination of the procurement policies and programs of the several departments and agencies."

The 1979 amendment to our statute—Public Law 96-83—requires the Administrator to develop a "uniform procurement system to include uniform policies, regulations, procedures and forms to be followed by executive agencies." Almost the entire effort and resources of OFPP are presently engaged in developing such a system. We have no authority to issue regulations under this amendment.

OFPP's principal role with respect to the socioeconomic statutes and programs is to assure that procurement policies which promote these programs are applied uniformly. We are also concerned that the administration of the policies meshes with procurement operations so that the aims of the policies can be satisfied without unduly interfering with the orderly and effective process of awarding and administering contracts.

You have asked us to discuss our role in the fiscal year 1981 goal-setting process—under Public Law 95-507. On July 10, 1980, OFPP issued, in coordination with the Small Business Administration, a memorandum entitled "Guidance on Goal Setting Under Procurement Preference Programs" for all executive agencies. This memorandum was developed by OFPP to avoid having several agencies issue separate letters on goal setting for fiscal year 1981.

This guidance covered, in addition to fiscal year 1981 goal setting under section 15(G) of the act, the goals for awards to businesses in labor surplus areas. Guidance was also established for procurements under $10,000 from small and small disadvantaged business, awards to traditional minority educational institutions, and awards to nonprofit organizations operated and controlled by small and economically disadvantaged individuals.

With respect to fiscal year 1980 goals, the OFPP, on September 7, 1979, issued policy letter 79-3 which transmitted uniform policy guidance for the establishment of goals for small and small disadvantaged businesses under Public Law 95-507. The OFPP cooperated with the SBA in developing the guidelines for the goals, and an SBA document setting forth guidance and instructions for goal setting was attached to our policy letter.

Recently, OFPP agreed with the Small Business Administration that SBA would initiate, for fiscal year 1982, the goal-setting process under section 15(G). It is my understanding that SBA and GSA, in accordance with their responsibilities, are developing a joint memorandum to be sent to the agencies covering goal setting under most of the procurement preference programs covered in the July 10, 1980 letter. SBA is responsible for negotiating the 15(G) goals with the departments and agencies. If SBA and an agency are unable to agree on the goals, the matter will be referred to OFPP for resolution.

We believe that SBA, in negotiating these goals, will be mindful of the observation in the GAO report of April 8, 1981, that unrealistic goals are counterproductive. Further, contracts placed with the principal objective of meeting preset overall national goals to double and triple earlier contract dollars may not be in the best interests of the Government, or even in the best interest of the small businesses involved.

I earlier stressed the central purpose of our enabling statute to put in perspective our responsibilities regarding goal setting—section 221 of Public Law 95-507. As noted, OFPP's statutory role is primarily to resolve disagreements in establishing goals. The Small Business Administration, under its act—including the Public Law

95-507 amendments—has programmatic responsibility for assuring that small and small disadvantaged businesses receive appropriate and fair shares of Federal procurement.

This responsibility includes the small business, small purchase, set-aside program under section 15(j) of the Small Business Act. In your letter of invitation to testify, you inquired about OFPP's role with respect to this section. OFPP issued policy letter 80-6 on July 22, 1980, to assure consistent and uniform policy guidance. This policy guidance was further implemented in the procurement regulations. Contracting officers are required by this policy and regulatory guidance to make small purchases from small businesses.

The Administrator for Federal Procurement Policy was directed by the Congress in 1978 to promulgate a single, simplified, uniform Federal procurement regulation, with particular attention to the needs of small business. Even before the Congress acted, OFPP had initiated a very ambitious project to rewrite and consolidate the existing primary procurement regulations into a single, simplified Federal acquisition regulation—FAR. While such a consolidated, simplified regulation will benefit the entire procurement community, both in Government and industry, it will particularly help small business firms. We did not meet the originally scheduled completion date for this project, as the task turned out to be much more time consuming than was first envisioned. However, the effort is well along, and will be substantially completed by the end of this year. We have coordinated very closely with SBA throughout this effort; and until just a few months ago, SBA had a full-time representative detailed to OFPP to review and comment on all the draft FAR material.

LABOR SURPLUS AREAS

In 1978, by Executive Order 12073, the OFPP was assigned responsibility for the "overall direction and oversight of the policies affecting procurement programs for labor surplus areas."

A 1977 amendment to the Small Business Act—Public Law 95-89—stated that in carrying out labor surplus area and small business set-aside programs, agencies should award contracts pursuant to the following priority categories: Concerns located in labor surplus areas and which are also small business, on the basis of a total set-aside; concerns which are small business concerns, on the basis of a total set-aside; concerns which are small business concerns, on the basis of a partial set-aside; and concerns located in labor surplus areas, on the basis of a total set-aside.

A 1980 amendment added a fifth priority set-aside category. This was large business concerns performing in a labor surplus area.

Administration of the labor surplus area program identified issues requiring uniform Government-wide procurement policy guidance. Accordingly, OFPP recently issued policy letter 81-2, May 29, 1981, to provide needed guidance and clarification. The policy letter indicated which types of procurement actions and awards could be recorded by agencies in fulfillment of their labor surplus area targets.

In closing, Mr. Chairman, I wish to note that our enabling statute includes a specific requirement to consult with the SBA and other agencies in developing policies, regulations, and procedures.

We have discussed with the SBA our views on goal setting, and are available at any time to discuss the implementation of Public Law 95-507, its impact on improved small and minority business participation in Federal contracts, and any improvements that might be made to further this objective. We will continue to work with SBA to achieve effective and productive programs for all small businesses.

Thank you, Mr. Chairman. That concludes my prepared remarks. I will respond to any questions you or members of the subcommittee may have.

Mr. LAFALCE. Thank you very much, Mr Sowle.

I understand you have drawn up a blueprint for what you would like to accomplish at OFPP; is that correct?

Mr. SOWLE. Not a blueprint per se at this point. The Congress has mandated under our statute to come up with a draft procurement statute, single statute, a procurement system, and a procurement management system, along with some other things.

Now, this we have drawn up, and we have a schedule for accomplishing this requirement of our statute.

Mr. LAFALCE. Could you submit a copy of that?

Mr. SOWLE. Yes, sir; be very pleased to.

[Material requested was not received.]

Mr. LAFALCE. What role does small business and its particular procurement problems play in your tentative draft?

Mr. SOWLE. Well, we are asking the Small Business Administration, small business specialists to work with us in the total development of this program.

Mr. LAFALCE. Are you going to give any special consideration to the particular problems of the small business community?

Mr. SOWLE. I do not envision that we would spell out small business as a separate item in the development of the system. We are trying to avoid getting into various statutory requirements that would not change the system itself. We feel that the system, when developed, will provide for small businesses as well as minority businesses.

Mr. LAFALCE. Are you calling for a policy of neutrality between large and small businesses?

Mr. SOWLE. No; I don't think a policy of neutrality. I am not sure I understand your question, sir.

Mr. LAFALCE. Well, do you think that small businesses, and the problems of small businesses, need to be given special attention?

Mr. SOWLE. I think they do, and I think SBA has the responsibility to see that we do have, as the advocate for small business and other special groups—they have the prime leadership in this area, and we will work with them in the area of procurement policy to see that everything is set to make these special interest areas developed the way they are intended to develop.

Mr. LAFALCE. Would you define for me what you see to be the functions of OFPP, the functions of GSA, and the functions of SBA in these various programs that we are talking about, small business set-aside, subcontracting, 507, et cetera?

Mr. SOWLE. Yes. In most of these areas, we feel that the leadership for the special groups is a responsibility of SBA to take the leadership, and for us to work with them in the area of procurement policy to see that the rules and regulations and policies are effectively laid out, so that the programs sponsored and advocated by SBA will work.

GSA, of course, is involved in labor surplus area aspects of these, and we work with them likewise.

Mr. **LaFalce**. Who is responsible for actually setting the various goals?

Mr. **Sowle**. The goal setting is the responsibility of SBA in coordination with the various departments. Now, if they have a problem, we are charged with the responsibility of trying to get a resolution to the problem.

Mr. **LaFalce**. OK. Who is responsible for insuring the implementation, or the achievement of these goals?

Mr. **Sowle**. The achievement, again, is SBA's responsibility. In OFPP we have a staff of some 18 professional people, and we are not out working with the buying organizations like SBA is. I think they are doing very well at it.

Mr. **LaFalce**. In Public Law 95-507, in particular section 222, it says:

> In formulating such regulations and procedures, the Administrator of the OFPP shall, in consultation with the Small Business Administration, conduct analyses of the impact on small business concerns resulting from revised procurement regulations and incorporate into revised procurement regulations simplified bidding, contract performance, and contract administration procedures for small business concerns.

Now, that is the law of the land. What has OFPP done or what do you contemplate doing to adhere to the law of the land?

Mr. **Sowle**. First, I would like to mention that Public Law 96-83, which was the amendment to our law, actually includes a statement to the effect that it will take precedence over section 222, and now that does not mean that we are not going to do something in this area, but our charter today is to develop a uniform procurement system without regard to the variations to the system.

Mr. **LaFalce**. Are you saying that you want to determine a uniform system without regard to its impact on the small business community?

Mr. **Sowle**. I didn't say that, sir.

Mr. **LaFalce**. Are you saying that you are going to develop a uniform system and not going to give us an analysis of the impact on small business concerns, and you are not going to incorporate into your revised procurement regulations under this uniform system simplified bidding, contract performance and contract administration procedures for small business concerns?

Mr. **Sowle**. No, I didn't say that, and I don't mean that, but I think we do have to work with SBA in this area, and they are working with us. They have people assigned working with our development of the regulations.

Mr. **LaFalce**. Why don't they have them there on a full-time basis? What happened a few months ago?

Mr. **Sowle**. A good part of the work they were interested in at that time had been accomplished. They had had a man in OFPP for about 2 years, and they felt that he should go—I guess you should ask SBA that, but I believe his work was essentially finished at that point.

Mr. **LaFalce**. Do you know when that point was?

Mr. **Sowle.** Before I came to the office, but it was about, I would say, around the first of the year. Maybe one of my people can answer that.

I would like to mention that we now have another man working with us full time on the development of the regulations that we are talking about, the Federal acquisition regulation, and I am sure that the interests, as expressed in that paragraph, will be fully considered.

Mr. **LaFalce.** Who is responsible, Mr. Sowle, for insuring, for example, that a small businessman is able to obtain a copy of bid sets and specifications with respect to a contract that is going to be let by a Federal agency?

Mr. **Sowle.** That is the responsibility of the buying agency.

Mr. **LaFalce.** The responsibility of the buying agency?

Mr. **Sowle.** The ones that are doing the procurement operations; yes, sir.

Mr. **LaFalce.** Who has oversight over all of these agencies, or is each agency a law unto itself when it comes to implementation?

Mr. **Sowle.** No, sir. SBA actually has people working in the agencies themselves and the major buying operations, and they certainly maintain oversight there. If they find that there is a need for a change in policy, they are not at all bashful about coming to us and working out with us policies that have to be revised or new policies that have to be issued.

Mr. **LaFalce.** I would like to see a little initiative from OFPP with respect to policy affecting small business, rather than deferring exclusively to SBA.

Public Law 95-507 permits the various agencies to give incentives to contractors who meet goals or requirements, and yet I am unaware of any agency that utilizes that provision of the law that permits incentives.

In determining Federal procurement policy, have you considered implementing that section of the law?

Mr. **Sowle.** I can't answer that myself, but I think that I would have no objections at all to trying to work out some sort of incentive arrangements in conjunction with SBA and the departments; no hesitancy on my part in that area at all.

Mr. **LaFalce.** Well, in determining what policy is, what was the last policy statement from OFPP regarding making available bid sets and specifications?

Mr. **Sowle.** Well, that is included in the regulations that govern the departments.

Mr. **LaFalce.** OFPP regulations?

Mr. **Sowle.** No, sir. We are not authorized to put out regulations. We can only talk to policies.

Mr. **LaFalce.** Do any policy guidelines emphasize that point of making bid sets and specifications readily available?

Mr. **Sowle.** I don't know that much about the details of the policies.

Roy, would you be able to talk to that?

Mr. **Haugh.** The current regulations, both in defense and the civil agencies, require and have required for as long as I can remember that each buying agency or buying activity make available a reasonable number of bid sets and provide a minimum bid period.

Mr. **LaFalce**. I am told by my small business constituents that they can't get copies of bid sets and specifications, and that this has been hindering their ability to access the Federal procurement dollar.

Should your office be looking into it?

Mr. **Haugh**. I don't believe that that is the responsibility of our office, unless there is clear evidence that it——

Mr. **LaFalce**. You are opting out? Well, then, which office should it be for the entire Federal Government? Each agency should look into it themselves, but isn't there one agency responsible for insuring that procurement in general is adhered to, procurement policy in general is adhered to? You are saying it is not your responsibility.

Mr. **Sowle**. Well, as I mentioned earlier, Mr. Chairman, we have a responsibility for procurement policy across the Federal Government. Our responsibilities, the management of procurement itself is really a responsibility of the departments. We have to depend on someone with the number of people we have——

Mr. **LaFalce**. In other words, this congressional subcommittee is going to have to call up every single department and question every single department as to how they are performing. There is no overall Federal agency charged with this overall responsibility?

Mr. **Sowle**. What I was planning to say is that SBA, who is working with these agencies, and certainly knows the problems, if they feel that there is a problem that the agencies are not taking care of, we would be glad to work with them and the agencies to get any problems squared away.

Mr. **LaFalce**. I am sure everybody is glad to work with everybody else, but I am trying to assign specific responsibilities so we could have accountability.

Do you think that the time period allowed from the time of publication of bid notice to bid opening date is adequate enough?

Mr. **Sowle**. I don't really have any data that would indicate that it is not.

Mr. **LaFalce**. Well, all you have to do is listen to the representatives of the small business associations, and they yell and scream. They say there is no way that a small businessman can come in and adhere to the 6 to 10 days that he is given. Big business is something else. Is there any way that we can lengthen that? I am sure there is. And are you considering as part of your responsibilities to do that?

Mr. **Sowle**. If you think that is something we ought to work with SBA on, we will be glad to do that, and with the agencies.

Mr. **LaFalce**. It certainly is. Most often there is no absolute time requirement, 10 days. Ordinarily it probably could easily be 30 days or so. There might be exceptions to that where it would have to be 10 days, so I am sure you can come up with some type of policy that would come up with exceptions.

Mr. **Sowle**. I will be glad to discuss that with SBA and the agencies where appropriate.

Mr. **LaFalce**. Well, I have taken quite a bit of time. I have a great many more questions we will get to later.

Congressman **Addabbo**.

Mr. **Addabbo**. Thank you very much.

I appreciate the need for these hearings. We have heard the problems, and the testimony continues as we have heard it so often.

Mr. Sowle, first of all, let me congratulate you or give you my condolences in your new spot as Administrator.

Mr. **Sowle**. Thank you in either case, Mr. Addabbo.

Mr. **Addabbo**. We just funded you. I hope I didn't make a mistake in funding your office.

What was your previous position before becoming Administrator?

Mr. **Sowle**. Immediately before, I had a management consulting firm over in Arlington, Va., a small firm, very small business, and we did studies primarily for various agencies of the Federal Government and also had some commercial work. That was about 7—I think the business was about 7 years.

Mr. **Addabbo**. Prior to forming your own management service agency, what was your occupation?

Mr. **Sowle**. I was the Director of Studies, that was the title, which was the chief staff position for the Commission on Government Procurement, which is a congressional commission which studied procurement.

Mr. **Addabbo**. Congressional commission? Under the commission of the House, the Senate?

Mr. **Sowle**. No, it was a separate commission established by Public Law 91-129, and Mr. Holifield was the one who took the initiative to get that commission established. It was a bipartisan commission. Elmer Staats was a statutory member.

Mr. **Addabbo**. What was the responsibility of that commission?

Mr. **Sowle**. Well, it was to review procurement to see what improvements could be made in the procurement process, with a view to getting economy efficiency.

Mr. **Addabbo**. We have seen no improvements in procurement policy, no improvements by agencies as a result of which we had to pass Public Law 95-507, and ever since then we have seen every agency try to duck out from under the regulations of Public Law 95-507. That is a harsh act. It is a really hard way of doing business, but the Congress had no alternative, so in your background, you know that.

You know that no agency wanted to do anything extra, extend itself for small business. Business as usual, 1 percent, one-half percent, no percent and that continued. I don't know what your studies showed, but our studies and hearings showed that. No improvement. And we passed Public Law 95-507 to force improvement.

Firms have got to put in contracts what they are going to do about small business, how you are going to do it. That is the law of the land.

It is rough, and we have heard the screams from business, but they get to like it. They find they are getting a little better quality and competition. I was happy, and I think the small business world was very happy when they heard the President of these United States say how important the small business community is to our economy, more than 80 percent of new jobs come from small business.

I was very pleased when Dave Stockman appeared before the Appropriations Committee and testified how important small business is, and how we are going to break out large contracts for more small business.

That is as it should be as far as I am concerned; if I heard right, and I have got to believe the President and Dave Stockman were telling us what they believed in. But then I come here today, and I hear the new Administrator of the Office of Federal Procurement Policy say "Well, that is the responsibility of SBA. We are going to consider, not look at it, but we will consider it in our regulations, consider it."

Is the administration's policy to protect, to help, to foster small business, to help build small business? If that is the policy, then I think its Administrator should be promulgating that as his policy. But when the Administrator comes before us today and says, "We will consider it, but that is the responsibility of SBA," then to me, small businesses out there are getting the same lip service they have received under every administration, not just this one, every administration. It means that this Congress must again look to its tools to enforce it, either by making reductions or doing away with offices such as this who do not fulfill their obligations.

Now, is it the policy of this administration, which was appropriated money for the office of Federal Procurement Policy, is it your policy to promote small business and to make sure that the agencies do follow the law of the land? Or are we going to do business as usual and say, "Agency, you go out and do it, and if you can't do it, get into an argument, then come to us, and we will try and solve that problem 5 years from now"? What is the policy?

Mr. SOWLE. First of all, the policy of the administration and of OFPP is to do our part in the area of Public Law 95-507.

We plan to do that and we are doing that.

We have put out a number of policies related to small and small disadvantaged firms, labor surplus areas, and these are active policies. I think they are working well.

As far as I am concerned, the small business community is a very vital part of our total economy, and it should be given special attention.

I would not want to leave you with the impression that I can run, you know, with a small staff, can run the SBA and other agencies of the Federal Government.

We will do what we can and what we are, what we should do.

There are two areas of Public Law 95-507 that I think are very important to our office. One is getting resolution to problems the agencies can't get together on, and I think we have a letter in process now as to how we plan to bring those kinds of resolutions to a head, the procedure for that.

Also, the statute is very clear, and that we have responsibilities for issuance of procurement policies, and that we, as I just mentioned, have done, and we plan to continue to do.

Mr. ADDABBO. Well, again——

Mr. SOWLE. I don't think it is going to be business as usual. This team that we have going is working together. We are working together. I have met both with Mr. Carmen, Mr. Cardenas, and their staffs, and I feel certain that we are going to be able to make progress, and I think you will see some progress.

Mr. ADDABBO. Mr. Sowle, I think those in SBA know their responsibility. We will get to them later in testimony. I think they know the responsibility, but they also know what their problem is.

The problem is not them knowing their responsibility, but the problem is what guidance the administration, through your office, is going to give to other agencies, not SBA.

SBA has it. They know their responsibility, and they have got their tools, and I know you have a small staff and you were cut down and again, we gave you money to work with, but directives are important. I would love to see and I would ask the chairman that some of the directives you just spoke of be made part of the record here.

We would like to see those directives to the agencies, that they are required, and they are being monitored to follow existing law.

Do you know whether the agencies will continue the practice under section 15(j), the Small Business Act, which reserves purchases of less than $10,000 for small businesses. Have the agencies been notified to continue that practice, or are they going to be left to fish on their own, or go wherever they want?

Mr. SOWLE. That is part of the policy that is out now.

Mr. ADDABBO. That has been mandated. Good, I am glad we still have that in place.

There is some discussion in testimony before this committee relative to the mandating of a 30-day bidding time. Many small businesses, because of their lack of Washington-based lobbyists, et cetera, do not get notified of contracts. Sometimes they get notified 2 days before the contract is being let, or going to be let or the closing date.

Has your office looked into this question of mandating a 30-day bidding time?

Mr. SOWLE. To my knowledge, we have not looked into that. If that is something that should be done, again, I would be glad to work with the agencies and the SBA.

Mr. ADDABBO. I would ask you to, because many small businesses have complained.

I wish you well. This is your first appearance, and I will be monitoring very carefully your future duties and obligations.

Thank you, Mr. Chairman.

Mr. LAFALCE. Mr. Weber?

Mr. ED WEBER. Mr. Sowle, I want to welcome you to the committee, and I don't for a minute think that the present administration is going to be any less active for the interests of small business than have previous administrations.

I notice that some of these laws were enacted apparently during previous administrations, and apparently because of problems that were developed 4 years ago and then 2 years ago.

We have heard well-documented testimony last week about the inability of small business to compete for Government contracts. Basically, it boiled down to an insufficient time to prepare a bid, to obtain specifications and obtain in some cases, samples of products that were necessary in order to bid, and the second problem seemed to be the sole-source freezeouts, too many sole-source contracts that simply were not open for other businesses to bid for.

It seems to me, there may be a lack of communication not necessarily between you and other governmental agencies, but between your office and some of these small business representatives that we were listening to last week, and I would like to urge you to set up meetings with the people and some of the witnesses that we had before us, and others of that type, so that you will learn about the problems that these companies are experiencing in trying to bid on Federal contracts.

I think that we, as a committee, are very, very interested in having you provide the leadership and the development, coordination of a Government-wide program that will alleviate these problems.

According to your testimony, you have a responsibility for providing leadership. I think that is what we want to see from the OFPP during the time of your administration so far as I can see, and you are certainly not to be chastized for what happened during the administration of your predecessors; but from what I can see, aside from three letters, two in July 1980, and one in May 1981, there has not really been very much that has been accomplished.

I would like to know why we have not, since 1979, had a uniform procurement system under Public Law 96-83, and why, since what was it, 1978, we have not had a uniform procurement system under which law is it, Public Law 95-507, with no assurance that we are going to get that kind of a system, other than the fact that you will have it substantially completed by the end of this year?

What are the problems? What do you need in order to complete the job? When can we expect to have it completed?

Mr. **Sowle**. First of all, sir, we do work with the small business associations. They are working with us on the uniform procurement system and the management system in the statute that I mentioned a little earlier.

The statute requires, and this is a 2-year-old statute, in October it requires that——

Mr. **LaFalce**. Excuse me, would you please provide the subcommittee with a list of all the small business associations or groups that you work with, and on what task forces or advisory councils they are on, et cetera?

Mr. **Sowle**. Yes, sir, be glad to do that.

[See p. 95.]

Mr. **Sowle**. The 2-year period given to develop the uniform procurement system, the statute, and the management system will end in October of this year.

In October of last year, there was a submission to the Congress of a procurement system.

However, I believe that if you are going to develop a system, management system and a procurement system, they have to be developed simultaneously along with the statute, so that they have good interface and interplay, and that they are properly interrelated.

Really, we have a maximum effort going now to do all three of these. The first task group reports were in as of last Friday. These are initial draft reports.

We have about 60 to 100 people working in this area. We have 16 people——

Mr. **LaFalce**. Why, of the 16 task groups that you have, is SBA only on three?

Mr. **Sowle**. We would like to have them on everyone, if they could furnish the people, I think they do watch everyone.

Mr. **LaFalce**. Give me a list of the 16 task groups that you have.

Mr. **Sowle**. Yes, sir.

[See p. 95.]

Mr. **Sowle**. So we are devoting just about all of our resources to comply with this statutory requirement by October of this year.

It is really a tremendous task, and we will meet the schedule set forth for us by the Congress, so in that regard, although there is a lot of work piling up at the end, I do expect that we will have our proposal in as the statute requires by October.

Mr. **Ed Weber**. Is that under Public Law 96-83?

Mr. **Sowle**. Yes, sir, insofar as the regulation is concerned, the Federal acquisition regulation which was the attempt, in fact, even before 1978, before this was mandated by the Congress, we already were working on a Federal acquisition regulation which was to bring together the common elements of the Defense acquisition regulation and the Federal procurement regulation.

This is an ongoing matter. It has just been a tremendous task. There are thousands and thousands of pages involved in this, and again, we are getting good support on this from the Department of Defense and GSA, in particular, but also many of the other agencies, including SBA, are working with us on this program and we expect to, as I mentioned in my statement, have a good part of this finished, the bulk of it finished by the end of this calendar year.

Mr. **Ed Weber**. Can your agency serve the function of troubleshooter if we were to bring the problems and complaints of the witnesses that we had last week to your attention?

Is your agency in a position to go to the DOD or whatever agency it may be, and say, look, you have had a problem here, what can you do about correcting it or not?

Mr. **Sowle**. If it is a categorical problem, we can, and we do. If individual problems come up with a specific contractor, we are precluded by our statute from getting into that type of problem, but yes, we do have responsibility to listen to areas that affect overall procurement policy, and we do take action with the agencies accordingly when those kinds of things come up.

Mr. **Ed Weber**. That is the kind of effort that we need as a very beginning.

We need some aggressive effort to correct what I consider to be these gross abuses of the intent of Congress as set forth in these previous laws.

Thank you, Mr. Chairman.

Mr. **LaFalce**. Chairman Mitchell?

Mr. **Mitchell**. Social workers use a term they call "basketballing" their clients. When they don't know what to do, they "basketball" a client, bounce him from the Red Cross, to the Legal Aid Society, to the Housing Authority, just keep bouncing him, and that avoids finding a solution to the problem, and without in any way denigrating you, that has been the problem with the implementation of the laws that Congress has passed.

You might use the term "passing the buck," instead of "basketballing the client." It is so difficult to fix responsibility.

I want to pursue the line of questioning that the subcommittee chairman pursued just very briefly.

No. 1, would you, if we in some way in the Congress named you as the key agency for responsibility for fully implementing the laws, would you be willing to accept that responsibility?

Mr. **Sowle**. Yes, sir, with the people, I would be very willing to and I am willing at this point, and plan to do, carry out every statute that we are required and expected to carry out.

Mr. **Addabbo**. Will the gentleman yield?

Mr. **Mitchell**. Yes.

Mr. **Addabbo**. On that point, on the question of the statute, in previous testimony answering questions by the chairman, you felt that Public Law 96-83 superseded section 222 of Public Law 95-507.

Actually, the act reads, "Only to the extent they are inconsistent therewith," so I don't think there is anything inconsistent in section 222, Public Law 95-507 of the act.

Mr. **LaFalce**. Section 222 itself says that the administrator of OFPP shall promulgate a single, simplified, uniform Federal procurement regulation, et cetera, et cetera, and in formulating such regulations and procedures, he shall do the following for small business, and all Public Law 96-83 does is say the same thing as section 222.

There is no inconsistency whatsoever. It greatly disturbs me and also it disturbs me that reports were supposed to have been rendered in the past.

We cannot blame you for this, Mr. Sowle, but we do not have yet an analysis of the impact on small business concerns resulting from revised procurement regulations, et cetera, et cetera.

We need that. We have 16 task forces that you formed. Not one of them is specially devoted to the problems of the small business community.

Mr. Mitchell, you may have your time back.

Mr. **Mitchell**. Sure. I don't know your personnel, has there been any significant change in the personnel in your office?

Mr. **Sowle**. Not any significant change, maybe one or two changes.

Mr. **Mitchell**. Then I would assume that these are the same people who had these responsibilities fixed on them 3 years ago, is that correct?

Mr. **Sowle**. Well, I think you have to think in terms of who is in charge of the office. They take their instructions from whoever runs the office.

These are very good people, incidentally.

Mr. **Mitchell**. Believe me, I am not questioning their goodness. I might be questioning something else, but not their goodness.

Mr. **Sowle**. They are very qualified people.

Mr. **Mitchell**. OK. Who is the staff person who is taking the lead on developing this single simplified uniform Federal procurement regulation?

Mr. **Sowle**. Mr. Haugh, sitting to my right.

Mr. **Mitchell**. You are the gentleman?

How long have you been working on it?

Mr. **Haugh**. I have had the oversight responsibility for that project since it started. I have had a more active hand in it for about the last 1½ years since the fellow who was originally assigned to it.

Mr. **Mitchell**. You indicated you expect to be completed by September?

Mr. **Sowle**. No, sir, as far as the uniform procurement system proposal, statutory proposal and procurement management system, we expect to have that in in October in accordance with Public Law 96-83.

I mentioned on the Federal acquisition regulation, that the bulk of that, we expect to have completed by the end of this calendar year.

Mr. **Mitchell**. Let me return to your friend there. In the work that you have done up to this point, have you completed the analysis of the impact on small business concerns resulting from revised procurement regulations, have you done that?

You have been working on it about 1 year, is that correct?

Mr. **Haugh**. No, sir, we have not conducted a specific analysis of the impact on small business, but I think there is a general acceptance of the fact that regulations in general are more difficult for small business in general.

Mr. **Mitchell**. The law requires you to conduct such analysis.

The law requires it.

Mr. **Haugh**. Yes; we can conduct such an analysis. The objective of the entire FAR project is to simplify the regulations across the board with the understanding that the biggest beneficiaries of this will be small business.

Mr. **Mitchell**. I don't want to get into a semantic thicket.

You said you can do it.

My statement is, or my question is, that you must do it. Is that your understanding?

Mr. **Haugh**. Yes.

Mr. **Mitchell**. That means it will be done, is that correct?

Mr. **Haugh**. That is correct.

Mr. **Mitchell**. Thank you.

Mr. Haugh, Public Law 95-507 was enacted in 1978. In hearings before the subcommittee last year, we received extensive documentation on the lack of uniform reporting forms to ascertain the extent of compliance with, particularly, section 211 of the law.

Are the uniform reporting forms in place?

Mr. **Haugh**. As far as I know, they are in place.

In January of this year, we completed the substance of those forms. We had them cleared with the Office of Management and Budget and turned over the responsibility for smoothing them up, getting standard form numbers on them, and disseminating them to the GSA.

Mr. **Mitchell**. They have been submitted to all the agencies involved?

Mr. **Haugh**. That is my understanding.

Mr. **Mitchell**. Who would have the responsibility for making sure that they have been disseminated and are being complied with?

Mr. **Haugh**. At this point, General Services Administration and DOD. It would be up to the DAR Council to disseminate them in DOD, and GSA to disseminate them throughout the rest of the Federal procurement system.

We worked on the substance of those forms with the interagency group.

Mr. **Mitchell**. You have not done any followup to see whether or not they have been disseminated or are being implemented?

Mr. **Haugh**. We have had conversations with the people in GSA when small problems develop, but the last time that I talked to them, it was my understanding that there were no further problems.

The form was being given a standard form number and was going to be signed out.

Mr. **Mitchell**. All right, this is my last question, Mr. Chairman, it has been called to my attention, Mr. Sowle, that some large businesses are promoting the concept of a single, yearly companywide plan for noncommercial products.

It is my further understanding that your office may be moving in that direction.

Do you have any knowledge of this?

Mr. **Sowle**. I understand there is a potential where you are dealing with commercial products, off-the-shelf type items where it is very difficult, if not impossible, to trace every procurement back to a small business firm, that a companywide program would be acceptable in that kind of a situation.

Mr. **Mitchell**. Noncommercial, no?

Mr. **Sowle**. Sir, noncommercial, no, that is not true, there would not be a companywide plan.

I think there has been, in fact, in one of our last promulgations, there has been a policy in order to try and help with some of these problems, the goal setting, if a contractor gets an additional $500,000 contract, for example, that the plan basically could be incorporated by reference, but a new goal and new requirements would have to be included with that plan.

Mr. **Mitchell**. Before you take any final action on this, do you intend to consult with the members of this subcommittee?

Mr. **Sowle**. I believe that policy has been out, but we have no objections at any time to consult with the subcommittee on any point that you are interested in.

Mr. **LaFalce**. Mr. Dreier.

Mr. **Dreier**. I would like to get into some broader areas.

I am curious to know what practices there are that openly discriminate against small businesses in the area of open contracts?

Mr. **Sowle**. That openly work against small business? You are talking about the people or system itself?

Mr. **Dreier**. The system.

Mr. **Sowle**. Of course, if you have large contracts for major weapons systems, for example, there is a limited way in which the small business can participate in manufacturing such a major system.

Now, this is, of course, part of the policy that is required under Public Law 95-507, that they try to work through the prime contractor to see that as much as possible can be subcontracted to small business.

Mr. **Dreier**. In the area of spare parts procurements for the DOD, would you comment on your views regarding the bidder prequalification process set up by OFPP?

Mr. **Sowle**. Can you comment on that, Roy? I am sorry, I don't know the answer to that.

Mr. **Haugh**. I am not sure what you mean by "bidder prequalification process" set up by our office.

If you are referring to the bidder prequalification process in general that is used by the procuring agencies, there is a problem in the breakout program in DOD, particularly because of the tendency to go back to the original manufacturer, to the original prime contractor to secure spare parts, and this creates a particular problem for small businesses who might be capable of manufacturing some of those parts, but because of the vast number of parts they are dealing with, millions of national stock number items in literally hundreds of procuring activities involving tens of thousands of contracting officers, it is a very difficult problem to tackle and to screen all of those parts to develop bid packages that would enable small business to bid.

It is a problem we are aware of, and one we are certainly willing to do our part to attack.

Mr. **LaFalce**. Mr. Dreier's question is, what is your role, what should your part be?

Mr. **Haugh**. Well, I think basically, the policy is that we should attempt to break out any item that can be broken out.

Now, we get into a conflict with agency management, if we try to tell an agency manager that he has to break out every part down to the nickel-and-dime items, if he only has the management capability to screen items at a $5,000 or $10,000 level, and I think there are places at which, or points at which the policy has to give way to agency discretion or agency management prerogatives in a case like that.

Mr. **LaFalce**. What Mr. Dreier and I are fearful of is that that point is reached as soon as you become aware of the problem. As soon as you become aware of the problem, you give discretion to the agency to do whatever they want, and DOD, for example, would prefer to do nothing.

They prefer to exacerbate the problem and make it worse. It makes their job easier, and I see no countervailing force regarding the practices of DOD.

I don't see OFPP concerned at all about it, and certainly not enough to even speak up or say a thing, or articulate any new policy.

Should you speak up, if there are, as you just said, problems in the so-called breakout program?

Mr. **Haugh**. Well, yes, I would certainly agree that it is an area that we should continue to look at and at some point, we would need to give some greater attention to.

Mr. **LaFalce**. Well, I think that point is here, not at some point. You have to do something about it.

I hope you will, and I hope you will soon, because this committee is going to, and I am going to be calling upon GAO to do something, so OFPP better get into the act pretty fast.

Mr. **Dreier**. Are there any suggestions for reforming current procurement processes to make the system more equitable for small business?

Mr. **Sowle**. Well, yes, the whole effort we have going to comply with Public Law 96–83 by October certainly is geared to making the whole system simpler. That is one of the the criteria that we are working to, and one of the criteria that the statute requires us to work to.

Mr. **Dreier**. Thank you very much, Mr. Chairman.

Mr. **LaFalce**. Mr. Smith?

Mr. **Smith**. No questions, Mr. Chairman.

Mr. **LaFalce**. In part of your analysis, Mr. Sowle, of the problems confronting businesses dealing with the Government, have you looked into the problem of how Government change orders and design errors impose unnecessary and often devastating financial hardships on small business?

Mr. **Sowle**. I personally have not.

Mr. **LaFalce**. There are a lot of problems small business has that OFPP has not looked into it. I strongly suggest that you form a task force on the problems of the small businessman who would like to have access to the procurement, Federal procurement dollar.

Later today, we are going to hear testimony from the Department of Commerce.

They are going to suggest that Commerce Business Daily be required to advertise all proposed procurements for personnel or professional services.

Do you have an opinion on that?

Mr. **Sowle**. Well, I think to the extent, you know, sometimes personal, professional services, are required by management in a very short time. To the extent that they can be advertised or made known, I certainly wouldn't think that would be a problem at all.

Mr. **LaFalce**. Well, whether it would be a problem is one thing, and whether it should be done is another.

Some other suggestions, they would require the advertising of all proposed procurements which are for services from educational institutions and require that all synopses of proposed procurements must allow for 30 days of response.

I would like your written opinion regarding all the criticisms that I said were offered before my subcommittee last Thursday in my prepared testimony, and I would like your comments regarding all the suggested improvements in Commerce Business Daily as presented in Commerce's testimony today.

Mr. **Sowle**. Yes, sir.

[See p. 148.]

Mr. **LaFalce**. What steps has OFPP taken to provide a comprehensive listing of LSA firms to procurement officials?

Mr. **Sowle**. I can't answer that. Roy, do you know?

Mr. **LaFalce**. It is my understanding that Executive Order 120073 assigns this specific responsibility to OFPP.

Mr. **Haugh**. We organized an interagency task group last year to look into the problem of LSA's sourcing, and we have essentially completed that task.

I believe that the PASS system, and you would have to verify this with SBA, has been modified to indicate LSA or to identify LSA firms that are in the procurement automated source system.

Mr. **LaFalce**. No, OFPP has been given the responsibility for this Executive order, have they not?

Mr. **Haugh**. For a portion of it.

Mr. **LaFalce**. What about providing a comprehensive listing for procurement officials? Who has that responsibility? Is it OFPP, is it not, or don't you know?

Mr. **Haugh**. We undertook to discharge that responsibility by an interagency task force. We do not have the capability to identify all of the firms in the country.

Mr. **LaFalce**. To provide a comprehensive listing of LSA firms to procurement officials.

Now, is that or is it not your responsibility?

Mr. **Haugh**. Yes.

Mr. **LaFalce**. Maybe somebody else can identify them, but who is responsible for providing it?

Please give me a written explanation, Mr. Sowle, of what your responsibility is, and what has been done by either OFPP or any other governmental agencies to provide a comprehensive listing?

What was the rationale that OMB explained to you regarding this recommendation that grants and executive agreements be dropped from the LSA program?

Mr. **Sowle**. I am not familiar with that.

Mr. **LaFalce**. Is it a fact that grants and executive agreements have been dropped from the LSA program?

Mr. **Sowle**. I don't know.

Mr. **LaFalce**. Well, can anybody answer?

Mr. **Haugh**. I am not familiar with the rationale for that.

Mr. **LaFalce**. The question is, have grants and executive agreements been dropped from the LSA program?

Mr. **Haugh**. I don't know.

Mr. **LaFalce**. Who has the responsibility for the LSA program, then? Is it OFPP?

Mr. **Haugh**. We have a partial responsibility, yes. The General Services Administration has the responsibility for setting LSA targets.

Mr. **LaFalce**. Well, I thought Executive Order 120073 says that OFPP shall have "overall direction and oversight of the policies affecting procurement programs for labor surplus areas."

I think fundamental to that policy question would be whether or not grants and executive agreements should or should not be included, so what we are learning today is that OFPP does not know whether grants or executive agreements are or are not presently included within the LSA program?

Mr. **Haugh**. Our responsibility under our own statute does not extend to grants. Our responsibility is limited to procurement under grants, but not to grants and executive agreements themselves.

Mr. LAFALCE. Because of our time constraints, we are going to draw this portion of today's hearings to a close.

The record will be kept open for your responses to the questions that the members of the subcommittee might raise and to further questions.

We thank you for your testimony and we look forward to your next presentation.

PANEL CONSISTING OF GERALD CARMEN, WILLIAM MADISON, MICHAEL CARDENAS, DON TEMPLEMAN, BERNARD KULIK, AND RONALD L. FETT

Mr. LAFALCE. Because of the time constraints, what I am now going to do, so long as it is acceptable, is call both the Administrator of GSA and the Administrator of the SBA to the table at the same time, and they can both present their testimony, and then we will question both of them at the same time.

Is that agreeable, Mr. Carmen and Mr. Cardenas?

Mr. Carmen?

TESTIMONY OF GERALD CARMEN, ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY WILLIAM MADISON, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED* BUSINESS UTILIZATION

Mr. CARMEN. I would like to submit my full statement for the record and summarize it at this time.

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before you to discuss GSA's implementation of the small business program, the labor surplus area program, and section 211 of Public Law 95-507, including public utilities.

I have with me today, Mr. William Madison, Director of our Office of Small and Disadvantaged Business Utilization.

I am especially pleased that one of my first appearances on Capitol Hill as GSA Administrator is before your subcommittee. Having spent a lifetime in small business, I have a strong commitment to the Government's efforts to strengthen small business in America.

During fiscal year 1980, GSA awarded to small business concerns contracts with a value of $818 million or 37.9 percent of the total procurements over $10,000.

The fiscal year 1981 GSA goal for awards to be made to small business concerns is $1.2 billion, or 35.6 percent of our total dollars to be awarded for contracts valued in excess of $10,000.

Our semiannual statistics reveal that we have already awarded to small business concerns $506 million, or 35.1 percent of our year-to-date total dollars awarded for contracts valued in excess of $10,000.

In fiscal year 1980, GSA successfully negotiated a $1.3 billion Government-wide labor surplus area procurement set-aside target with the heads of executive agencies.

GSA was able to negotiate an ambitious fiscal year 1981 LSA Government target of $1.5 billion with the heads of the executive agencies.

Finally, GSA's enforcement efforts under section 211 of Public Law 95-507. In fiscal year 1981, GSA has awarded 382 contracts valued at $1.2 billion that met the threshold and contained the required subcontracting clauses.

However, Mr. Chairman, there are some special types of procurements that present a unique set of problems in implementing section 211 of Public Law 95-507. Procurement from public utility firms—electric and gas—are a case in point.

The business, as well as the contractual relationship between the Government and public utility firms is much different from that you find with other firms.

This is essentially because public utility firms are: one, monopolies; and two, highly regulated.

The Federal Property and Administrative Services Act of 1949 authorizes the General Services Administration—GSA—to contract for public utility services for a term not to exceed 10 years.

Our public utility contracts are advantageous to the Government in terms of economy, efficiency, and service.

In many cases, we establish areawide contracts, which are master or blanket contracts, covering the public utility purchases of all Federal agencies from a particular utility firm.

Since the implementation of Public Law 95-507, we have awarded six areawide contracts, of which four have been declared deficient because they do not contain a subcontracting plan.

GSA has devoted a significant amount of time and resources in our attempts to obtain compliance with Public Law 95-507. Since February 1, 1980, we have had some 91 separate communications with the four companies whose contracts are deficient.

This includes letters to each of the four company presidents, and a total of six conferences onsite at the company offices to explain the requirements of Public Law 95-507 to their executives.

In summary, Mr. Chairman, I think GSA is making every effort to comply with the preference programs, although we recognize the very real problems associated with the execution of contracts with the public utilities.

There is no easy solution to this problem. GSA could terminate the four deficient contracts; but since the firms have been negotiating in good faith, we do not believe that termination of these contracts would be in the best interest of the Government.

Termination would also jeopardize approximately $2 million in cost avoidance that the Government annually enjoys.

That concludes my summary, Mr. Chairman. I am happy to have had the opportunity to appear here today to indicate my concern for these important programs.

As Mr. Madison is more familiar with some of the details which may interest you, I would like him to assist me in responding to your questions.

Mr. LAFALCE. At the appropriate time, of course.

[Mr. Carmen's prepared statement with attachments follows:]

Prepared Statement of Gerald P. Carmen, Administrator, General Services Administration

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TO DISCUSS GSA'S IMPLEMENTATION OF THE SMALL BUSINESS PROGRAM, THE LABOR SURPLUS AREA PROGRAM, AND SECTION 211 OF PUBLIC LAW 95-507 INCLUDING PUBLIC UTILITIES. I HAVE WITH ME TODAY MR. WILLIAM MADISON, DIRECTOR OF OUR OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION. I AM ESPECIALLY PLEASED THAT ONE OF MY FIRST APPEARANCES ON CAPITOL HILL AS GSA ADMINISTRATOR IS BEFORE YOUR SUBCOMMITTEE. HAVING SPENT A LIFETIME IN SMALL BUSINESS, I HAVE A STRONG COMMITMENT TO THE GOVERNMENT'S EFFORTS TO STRENGTHEN SMALL BUSINESS IN AMERICA BY INCREASING THE SHARE OF CONTRACTS RECEIVED BY SMALL AND SMALL DISADVANTAGED FIRMS.

GSA HAS MADE CONSIDERABLE PROGRESS IN THESE PROGRAMS IN THE PAST AND, I WANT TO ASSURE YOU THAT WE ARE COMMITTED AND EAGER TO DO EVEN BETTER IN THE FUTURE. AT THIS TIME I WOULD LIKE TO HIGHLIGHT SOME OF OUR MAJOR ACHIEVEMENTS AND PROBLEMS.

FIRST, THE SMALL BUSINESS PROGRAM. DURING FY 1980, GSA AWARDED TO SMALL BUSINESS CONCERNS CONTRACTS WITH A VALUE OF $818 MILLION OR 37.9% OF THE TOTAL PROCUREMENTS OVER $10,000. OUR ACHIEVEMENT FELL SHORT OF OUR PROJECTED GOAL OF $960 MILLION OR 48.3% OF THE TOTAL PROCUREMENT OVER $10,000. WE DID NOT ACHIEVE THE GOAL PRIMARILY BECAUSE OF:

O THE FURNITURE MORATORIUM HAD A SEVERE IMPACT ON OUR AWARDS TO SMALL BUSINESS.

O AMERICAN MOTORS CORPORATION'S (A SMALL BUSINESS) INABILITY TO MEET CURRENT GOVERNMENT MILES PER GALLON REQUIREMENTS, LEFT THEM INELIGIBLE TO BID ON MOST SOLICITATIONS.

HOWEVER, I FEEL THAT THE 37.9% AWARDED TO SMALL BUSINESSES IN FY 1980 IS GOOD CONSIDERING THE NEGATIVE EFFECTS OF THESE TWO KEY SITUATIONS.

THE FISCAL YEAR FY 1981 GSA GOAL FOR AWARDS TO BE MADE TO SMALL BUSINESS CONCERNS IS $1.2 BILLION OR 35.6% OF OUR TOTAL DOLLARS TO BE AWARDED FOR CONTRACTS VALUED IN EXCESS OF $10,000.

OUR SEMI-ANNUAL STATISTICS (CHART ATTACHED) REVEAL THAT WE HAVE ALREADY AWARDED TO SMALL BUSINESS CONCERNS $506 MILLION OR 35.1% OF OUR YEAR TO DATE TOTAL DOLLARS AWARDED FOR CONTRACTS VALUED IN EXCESS OF $10,000. I FEEL CONFIDENT THAT BARRING ANY UNFORSEEN IMPEDIMENTS SUCH AS THOSE EXPERIENCED IN FY 1980, GSA WILL ACHIEVE ITS GOAL FOR SMALL BUSINESS AWARDS. THE GOAL FOR FY 1981 IS MORE REALISTIC AND RELEVANT TO THE ACTUAL GSA PROCUREMENT ACTIVITIES.

WE ARE ALSO CONTINUING OUR OUTREACH EFFORTS. DURING FY 1980, OUR BUSINESS SERVICE CENTERS HAD 144,000 COUNSELING ACTIONS. EIGHTY-NINE PERCENT (89%) OF THESE COUNSELING ACTIONS OR 129,000 WERE WITH SMALL BUSINESS FIRMS, NEARLY A QUARTER OF WHICH WERE MINORITY OWNED.

SECOND, THE LABOR SURPLUS AREA PROCUREMENT SET-ASIDE PROGRAM. IN FY 80, GSA SUCCESSFULLY NEGOTIATED A $1.3 BILLION GOVERNMENT-WIDE LSA TARGET WITH THE HEADS OF EXECUTIVE AGENCIES. GSA HELD THREE LSA COMMITTEE MEETINGS; OCTOBER 1979, JUNE 1980 AND AUGUST 1980. AS A RESULT OF THESE MEETINGS, THE OFFICE OF FEDERAL PROCUREMENT POLICY ISSUED OFPP POLICY LETTER 81-2 "POLICY GUIDANCE FOR THE LABOR SURPLUS AREA PROGRAM." HOWEVER, ON JUNE 9, 1981, WE INFORMED OFPP THAT THIS POLCIY LETTER SHOULD BE REVISED. ON FEBRUARY 27, 1981, GSA INFORMED PRESIDENT REAGAN THAT CONTRACTS VALUED AT $1.0 BILLION WERE AWARDED BY THE CIVILIAN AGENCIES UNDER THE LSA PROCUREMENT PREFERENCE PROGRAM. THOUGH THIS FIGURE FALLS SHORT OF THE PROJECTED TARGET OF $1.3 BILLION, IT REPRESENTS THE BEST ANNUAL PERFORMANCE TO DATE OF THE FEDERAL GOVERNMENT IN THIS PROGRAM. THE CIVILIAN AGENCIES WHICH MET OR EXCEEDED THEIR GOALS ARE:

DEPARTMENT OF THE INTERIOR
DEPARTMENT OF LABOR
DEPARTMENT OF TRANSPORTATION
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
VETERANS ADMINISTRATION
NATIONAL SCIENCE FOUNDATION
SMALL BUSINESS ADMINISTRATION

GSA ATTAINED 99% OF ITS LSA TARGET.

GSA WAS ABLE TO NEGOTIATE AN AMBITOUS FY 81 LSA GOVERNMENT TARGET OF $1.5 BILLION WITH THE HEADS OF THE EXECUTIVE AGENCIES. DATA FOR THE FIRST SIX MONTHS OF FY 81 IS UNAVAILABLE. ON APRIL 8, 1981, GSA HELD THE FOURTH LSA COMMITTEE MEETING.

FINALLY, GSA'S ENFORCEMENT EFFORTS UNDER SECTION 211 OF PUBLIC LAW 95-507. ON FEBRUARY 29, 1980, GSA INSTITUTED A REPORTING SYSTEM ON CONTRACTS AWARDED THAT MET THE THRESHOLD FOR REQUIRING SUBCONTRACTING PLANS UNDER SECTION 211 OF PUBLIC LAW 95-507. THE FIRST REPORT COVERED CONTRACTS AWARDED BETWEEN APRIL 10, 1979, AND FEBRUARY 29, 1980. OF THE OVER 500 CONTRACTS THAT REQUIRED SUBCONTRACTING PLANS:

- 20% OF THE CONTRACTS HAD ALREADY EXPIRED
- 29% HAD THE SUBCONTRACTING CLAUSES INCORPORATED
- 51% REQUIRED THE SUBCONTRACTING CLAUSES AND AN ACCEPTABLE SUBCONTRACTING PLAN

SINCE FEBRUARY 29, 1980, GSA HAS ISSUED OVER 540 SOLICITATIONS CONTAINING THE REQUIRED SUBCONTRACTING CLAUSES; THESE SOLICITATIONS COVERED CONTRACTS VALUED IN EXCESS OF $3.5 BILLION. IN THE SAME PERIOD WE HAVE AWARDED OVER 600 CONTRACTS VALUED AT $1.8 BILLION WITH THE REQUIRED SUBCONTRACTING CLAUSES AND ACCEPTABLE SUBCONTRACTING PLANS. IN FY 1981 GSA HAS AWARDED 382 CONTRACTS VALUED AT $1.2 BILLION THAT MET THE THRESHOLD AND CONTAINED THE REQUIRED SUBCONTRACTING CLAUSES.

HOWEVER, MR. CHAIRMAN, THERE ARE SOME SPECIAL TYPES OF PROCUREMENTS THAT PRESENT A UNIQUE SET OF PROBLEMS IN IMPLEMENTING SECTION 211 OF PUBLIC LAW 95-507. PROCUREMENT FROM PUBLIC UTILITY FIRMS (ELECTRIC AND GAS) ARE A CASE IN POINT.

THE BUSINESS AS WELL AS THE CONTRACTUAL RELATIONSHIP BETWEEN THE GOVERNMENT AND PUBLIC UTILITY FIRMS IS MUCH DIFFERENT FROM THAT YOU FIND WITH OTHER FIRMS. THIS IS ESSENTIALLY BECAUSE PUBLIC UTILITY FIRMS ARE (1) MONOPOLIES, AND (2) HIGHLY REGULATED. FIRST, AS MONOPOLIES, THESE FIRMS OFFER A SERVICE FOR WHICH THERE IS NO SATISFACTORY SUBSTITUTE. THE MARKETPLACE FORCES OF COMPETITION AND PROFIT POTENTIAL THAT ENCOURAGE FIRMS TO BID ON GOVERNMENT REQUIREMENTS DO NOT APPLY TO THE PUBLIC UTILITIES. SECOND, VARIOUS STATES AND LOCAL PUBLIC SERVICE COMMISSIONS FRANCHISE AND REGULATE PUBLIC UTILITY FIRMS AND IN EFFECT PREVENT COMPETITION AMONG THEM. THE FRANCHISE REQUIRES THE UTILITY TO SERVE ALL APPLICANTS (INCLUDING FEDERAL AGENCIES) WHO ACCEPT THE UTILITY'S TERMS AND CONDITIONS OF SERVICE. THE STATE AND LOCAL COMMISSIONS USUALLY REGULATE THE RETAIL RATES AS WELL AS SERVICES PROVIDED BY THE UTILITIES. UNLIKE OTHER COMPANIES, UTILITIES MAY NOT ALTER OR DISCONTINUE THEIR OUTPUT MERELY BECAUSE IT MIGHT APPEAR PROFITABLE TO DO SO. A RATE INCREASE APPROVED BY THE PUBLIC SERVICE COMMISSION IS ESSENTIALLY THE ONLY MEANS A UTILITY HAS TO INCREASE ITS RATES.

THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949 AUTHORIZES THE GENERAL SERVICES ADMINISTRATION (GSA) TO CONTRACT FOR PUBLIC UTILITY SERVICES FOR A TERM NOT TO EXCEED 10 YEARS. OUR PUBLIC UTILITY CONTRACTS ARE ADVANTAGEOUS TO THE GOVERNMENT IN TERMS OF ECONOMY, EFFICIENCY, AND SERVICE. IN MANY CASES, WE ESTABLISH AREAWIDE CONTRACTS, WHICH ARE MASTER OR BLANKET CONTRACTS, COVERING THE PUBLIC UTILITY PURCHASES OF ALL FEDERAL AGENCIES FROM A PARTICULAR UTILITY FIRM. IN THIS WAY, THE GOVERNMENT PURCHASES COLLECTIVELY FROM THE UTILITY RATHER THAN HAVING SITE-BY-SITE OR AGENCY-BY-AGENCY NEGOTIATIONS WITH THE LOCAL UTILITY.

IN FY 1977 AND FY 1978, GSA EXECUTED AN AGGREGATE OF 25 AREAWIDE CONTRACTS. HOWEVER, SINCE THE IMPLEMENTATION OF PUBLIC LAW 95-507, WE HAVE AWARDED 6 AREAWIDE CONTRACTS OF WHICH FOUR HAVE BEEN DECLARED DEFICIENT BECAUSE THEY DO NOT CONTAIN A SUBCONTRACTING PLAN. WE AWARDED TWO CONTRACTS WITH A SUBCONTRACT PLAN TO: (1) CAPE COD GAS COMPANY, CAPE COD, MASSACHUSETTS; AND (2) GULF STATES UTILITIES COMPANY, BEAUMONT, TEXAS. THE FOUR DEFICIENT CONTRACTS ARE WITH THE FOLLOWING COMPANIES: VIRGINIA ELECTRIC AND POWER COMPANY, RICHMOND, VIRGINIA ($70 MILLION PER YEAR); BOSTON EDISON COMPANY, BOSTON, MASSACHUSETTS ($10.4 MILLION); IDAHO POWER COMPANY, BOISE, IDAHO ($1.9 MILLION); AND SOUTHWEST GAS CORPORATION, LAS VEGAS, NEVADA ($2.5 MILLION). GSA HAS DEVOTED A SIGNIFICANT AMOUNT OF TIME AND RESOURCES IN OUR ATTEMPTS TO OBTAIN COMPLIANCE WITH P.L. 95-507. SINCE FEBRUARY 1, 1980, WE HAVE HAD SOME 91 SEPARATE COMMUNICATIONS WITH THE FOUR COMPANIES WHOSE CONTRACTS ARE DEFICIENT. THIS INCLUDES LETTERS TO EACH OF THE FOUR COMPNAY PRESIDENTS, A TOTAL OF SIX CONFERENCES ON-SITE AT THE COMPANY OFFICES TO EXPLAIN THE REQUIREMENTS OF P.L. 95-507 TO THEIR EXECUTIVES.

GSA HAS FOUND EACH OF THE FOUR COMPANIES TO BE CAUTIOUS YET RESPONSIVE TO OUR NEGOTIATING EFFORTS. FOR EXAMPLE ON MAY 14, 1981, BOSTON EDISON ACCEPTED THE SMALL BUSINESS CLAUSE AND INFORMED US THAT THEY ARE STILL WORKING ON THE SMALL BUSINESS PLAN. IN A LETTER DATED FEBRUARY 27, 1981, THE PRESIDENT OF VEPCO PROPOSED A SMALL BUSINESS PLAN. WHILE THE PROPOSAL WAS A POSITIVE STEP IN THE RIGHT DIRECTION, WE DO NOT BELIEVE THAT IT FULLY MET THE REQUIREMENTS OF P.L. 95-507 AND ARE WORKING WITH VEPCO IN THIS REGARD.

IN ADDITION TO THE DEFICIENT CONTRACTS, GSA HAS BEEN ACTIVELY NEGOTIATING SOME 72 OTHER UTILITY CONTRACTS THAT REQUIRE THE SMALL BUSINESS CLAUSE AND PLAN. WE BELIEVE WE ARE CLOSE TO EXECUTING 10 MORE LARGE CONTRACTS WHICH WILL INCLUDE THE CLAUSE AND THE PLAN. WE HAVE ALSO NEGOTIATED 16 SMALL UTILITY CONTRACTS WITH VALUES OF LESS THAN $500,000, WHICH ALL CONTAIN THE SMALL DISADVANTAGED BUSINESS CLAUSE REQUIRED BY P.L. 95-507. FOR THE RECORD, I HAVE ATTACHED A MORE DETAILED EXPLANATION OF THE PROBLEMS WITH PUBLIC UTILITY INDUSTRY.

IN SUMMARY, MR. CHAIRMAN, I THINK GSA IS MAKING EVERY EFFORT TO COMPLY WITH THE PREFERENCE PROGRAMS ALTHOUGH WE RECOGNIZE THE VERY REAL PROBLEMS ASSOCIATED WITH THE EXECUTION OF CONTRACTS WITH THE PUBLIC UTILITIES. THERE IS NO EASY SOLUTION TO THIS PROBLEM. GSA COULD TERMINATE THE FOUR DEFICIENT CONTRACTS; BUT SINCE THE FIRMS HAVE BEEN NEGOTIATING IN GOOD FAITH, WE DO NOT BELIEVE THAT TERMINATION OF THESE CONTRACTS, WOULD BE IN THE BEST INTEREST OF THE GOVERNMENT. TERMINATION WOULD ALSO JEOPARDIZE APPROXIMATELY $2 MILLION IN COST AVOIDANCE THAT THE GOVERNMENT ANNUALLY ENJOYS.

THAT CONCLUDES MY PREPARED REMARKS, MR. CHAIRMAN. I WILL BE HAPPY TO ANSWER ANY QUESTIONS.

GSA PROCUREMENT PREFERENCE PROGRAM ACHIEVEMENT REPORT

(000)

DATA ELEMENT	GOAL CATEGORY	GSA FY 1981 TOTAL GOAL		GSA Oct. 1, 1980 thru Mar. 31, 1981 FY 1981 ACHIEVEMENT		REMARKS
		DOLLARS	PERCENT	DOLLARS	PERCENT	
1	Total Prime	$3,419,015	100.0%	$1,480,744	100.0%	
2	Total Prime over $10,000	3,321,014	97.2	1,440,052	96.8	of number 1
3	Total Prime over $10,000 to Small	1,214,163	35.6	505,925	35.1	of number 2
	A. Under $10,000 to Small	63,207	65.0	31,853	66.5	of total awards under $10,000
	B. Small Business Set-Aside	423,473	12.7	174,435	12.1	of number 2
4	8(a)	81,528	2.4	35,098	2.2	of number 1
5	Prime over $10,000 to Small Disadvantaged	64,221	1.9	39,100	2.7	of number 2
	A. Under $10,000 to Small Disadvantaged	4,990	5.1	1,785	3.7	of total awards under $10,000
	B. Minority Motor Carriers	3,169	4.6	981	2.4	of numbers 5 and 5A
	C. Minority Bank Deposits	155,000	N.A	75,731	48.9	of total FY 81 $155.0 million goal
6	Prime Contracts awarded to:					
	A. Minority Educational Institutes	0	0.0	152	0.01	of number 2
	A1. Under $10,000	0	0.0	0	0.0	of total awards under $10,000
	B. Minority Non-Profit	3,716	0.1	3,058	0.2	of number 2
	B1. Under $10,000	50	0.05	22	0.04	of total awards under $10,000
	B2. Javits-Wagner O'Day	85,473	2.5	58,062	3.9	of number 1
	C. Large Minority Business over $10,000	922	0.03	1,359	0.09	of number 2
	C1. Under $10,000	0	0.0	22	0.04	of total awards under $10,000
7	Small Women Owned	21,500	0.63	13,211	0.9	of number 1
8	LSA Set-Aside	188,874	5.5	91,045	6.1	of number 1
9	Total Subcontracts to be awarded	655,674	100.0	1,358,739	100.0	N.A
10	Subcontracts to Small	253,634	38.6	229,438	16.9	of number 9
11	Subcontracts to Disadvantaged	15,000	2.3	22,626	1.7	of number 9

ADMINISTRATOR'S TESTIMONY
(P.L. 95-507 - Public Utilities)

Mr. Chairman, there are some special types of procurements which present a unique set of problems in implementing section 211 of Public Law 95-507. Public utility firms (electric, gas, steam, sewage, and water) are a case in point.

The business as well as the contractual relationship between the Government and public utility firms is much different from that you find with other firms. This is essentially because public utility firms are (1) monopolies and (2) highly regulated. First, as monopolies, these firms offer a service for which there is no satisfactory substitute. The marketplace forces of competition and profit potential that encourage firms to bid on Government requirements do not apply to the public utilities.

Second, various States and local public service commissions franchise and regulate public utility firms and in effect prevent competition among them. The franchise requires the utility to serve all applicants (including Federal agencies) who accept the utility's terms and conditions of service. The State and local commissions usually regulate the retail rates as well as services provided by the utilities. Unlike other companies, utilities may not alter or discontinue their output merely because it might appear profitable to do so. A rate increase approved by the public service commission is essentially the only means a utility has to increase its rates.

It is not unusual for the public utility firms to ignore GSA's initiatives aimed at establishing contract discussions. While it is to the credit of our contracting officers that GSA has the reputation in the public utility industry of being persistent, there are frankly in many respects few strong incentives for the firms to enter into contracts with the Government. For example, despite repeated inquiries at the working as well as the executive level, Potomac Electric Power Company's (PEPCO) management has consistently held that it is not in the corporate interest to enter into a contract with GSA.

Even before P.L. 95-507 was enacted, GSA experienced considerable difficulty in executing contracts with utility firms because of the administrative burdens attendant contracting with the Government. PEPCO, whose annual sales to the Federal Government exceed $110 million per year, indicated in a letter to GSA dated June 5, 1981: "Your Agency has submitted no proposal for increased rates on tariffs to cover the added burden necessary to comply with the special terms you have proposed."

Our experience with the public utility industry in particular leads us to believe that these programs and their attendant contract clauses are a prime factor in discouraging interest in entering into contracts with the Government. Moreover, the clauses and plans required by section 211 of P.L. 95-507 have brought our public utility contracting program to a virtual standstill. Firms without contracts with GSA or other executive agencies provide service to Federal installations pursuant to tariff provisions governed by State and local laws. Thus, commonly, the executive agency issues a letter to the public utility requesting that they receive service, followed by a purchase order to pay for services rendered. The public utility furnishes the service to the Federal customer in the same way as it furnishes the service to all other customers. Generally, the public utility offers the Federal agencies the same tariff rate applicable to those having the same class, condition, or character of service, unless negotiations are possible for a special lower or unpublished rate.

The Federal Property and Administrative Services Act of 1949 authorizes the General Services Administration (GSA) to contract for public utility services for a term not to exceed 10 years. Our public utility contracts are advantageous to the Government in terms of economy, efficiency, and service. In many cases, we establish areawide contracts, which are master or blanket contracts, covering the public utility purchases of all Federal agencies from a particular utility firm. In this way, the Government purchases collectively from the utility rather than having site-by-site or agency-by-agency negotiations with the local utility.

Negotiations for public utility contracts can also (1) reduce or eliminate initial connection charges, (2) ensure that the Government is assessed the lowest rate charged any similar customer, (3) establish special Government rates which are lower than existing published tariff rates, and (4) ensure that the company is contractually responsible for providing service to meet the Government's demand levels under normal conditions.

A public utility will usually refuse to accept a mandatory clause if the clause conflicts with the requirements of the State regulatory commission, or if the clause could result in additional financial burdens to the utility. For example, some utilities consider the P.L. 95-507 small and small disadvantaged business clause unacceptable because it not only requires the public utility firms to submit small business contracting plans, but their large contractors and subcontractors to do so as well. One utility firm estimated that it would cost over $200,000 to properly meet the law's requirements for a small business plan. The firm was concerned that the State utility commission would not permit it to raise its rates to pay for this expenditure.

During FY 1977 and FY 1978, GSA executed an aggregate of 25 areawide contracts having a 10-year term. However, since implementation of P.L. 95-507, GSA has consummated only two areawide contracts with a subcontracting plan. We currently have declared four areawide contracts with gas and electric companies deficient because they do not contain plans as required by P.L. 95-507. The contracts are with the following companies: Virginia

Electric and Power Company, Richmond, Virginia ($70 million per year); Boston Edison Company, Boston, Massachusetts ($10.4 million per year); Idaho Power Company, Boise, Idaho ($1.9 million per year); and Southwest Gas Corporation, Las Vegas, Nevada ($2.5 million per year). GSA has devoted a significant amount of time and resources in our attempts to obtain compliance with P.L. 95-507. Since February 1, 1980, we have had some 68 separate communications in regard to the four deficient contracts. This includes letters to each of the four company presidents, and a total of five conferences onsite at company offices to explain the requirements of the P.L. 95-507 to their executives. The Assistant Commissioner for the Office of Public Utilities and the Assistant General Counsel for the Transportation and Public Utilities personally negotiated with the public utility firms in several of these conferences.

GSA has found each of the four companies to be cautious yet responsive to our negotiating efforts. For example, on May 14, 1981, Boston Edison Company accepted the small business clause and informed us that they are still working on the small business plan. In a letter dated February 27, 1981, the President of VEPCO proposed a small business plan. While the proposal was a step in the right direction, we did not believe that it fully met the requirements of P.L. 95-507 and we are working with VEPCO in this regard.

On October 23, 1980, Gulf States Utilities Company, Beaumont, Texas, accepted the small business clause and on June 3, 1981, submitted a small business plan establishing a goal of $1.16 million per year for small and small disadvantaged businesses. The Gulf States' plan has recently been reviewed and accepted. GSA is hopeful that the major contracting goal of $1.16 million established by Gulf States will serve as a model for the industry. Gulf States' plan and its goal should also assist negotiation efforts with the other utilities.

In addition to the deficient contracts, GSA has been actively negotiating on some 72 other contracts that require the small business clause and plan. We have consummated a contract with Cape Cod Gas Company which includes a subcontracting plan with a small business goal of $85,000 per year. In addition, we believe we are close to executing 10 more large contracts which will include the clause and the plan. We have also negotiated 16 small utility contracts with values of less than $500,000, which all contain the small disadvantaged business clause required by P.L. 95-507.

The easy way out would be for GSA to terminate the four deficient contracts. However, the firms have been negotiating in good faith with us and, in light of our recent success in the Gulf States negotiations, we do not intend to terminate these contracts. This would not be in the best interest of the Government. To do otherwise would even further erode our limited negotiating base with this industry. Furthermore, without the areawide contracts, the Government would have to purchase the same service from each company by use of purchase orders. Purchase orders present a number of disadvantages. For example, the administrative cost to process monthly purchase orders is excessive. Termination would also jeopardize approximately $2 million in cost avoidances that the Government annually enjoys. We do not believe that this is what the Congress envisioned when it enacted P.L. 95-507.

Mr. LAFALCE. Mr. Cardenas?

TESTIMONY OF MICHAEL CARDENAS, ADMINISTRATOR, SBA, ACCOMPANIED BY DON TEMPLEMAN, DEPUTY ADMINISTRATOR, BERNARD KULIK, ASSOCIATE ADMINISTRATOR FOR PROCUREMENT ASSISTANCE, AND RONALD L. FETT, PROGRAM ANALYST, OFFICE OF PROCUREMENT ASSISTANCE

Mr. CARDENAS. Thank you, Mr. Chairman and members of this subcommittee.

I wish to submit for the record a statement which discusses in detail procurement subcontracting, goal setting, certificate of competency, breakout procurements, and surety bonds.

My remarks this morning will be a summary regarding these programs.

Mr. LAFALCE. Without objection, we will introduce the entire text of your comments in the record.

Mr. CARDENAS. Accompanying me today are Don Templeman, the Deputy Administrator, Bernard Kulik, Associate Administrator for Procurement Assistance, and Ronald L. Fett, program analyst, Office of Procurement Assistance.

Subcontracting, in the coming years, represents an excellent opportunity for small business. Section 211 of Public Law 95-507 has smoothed the way for small business to have this chance.

In implementing section 211, during fiscal year 1980, we reviewed over 5,000 proposed subcontracting plans. In 2,423 of these instances, we made specific recommendations for improvement to the contracting officer. Further negotiations between the contracting officer and the proposed prime contractor resulted, in most cases, in sufficient improvement to provide maximum practicable opportunity for subcontracting with small and small disadvantaged businesses.

In only 212 instances during fiscal year 1980 did we determine that the plan finally accepted by the contracting officer did not provide maximum practicable opportunity for subcontracting to small and small disadvantaged businesses. These contracts and the areas in which they are deficient are set forth in a report which we submitted to the committee on March 26, 1981.

In fiscal year 1981, our procurement center representatives—PCR's—are averaging over 400 proposed plan reviews per month. Approximately 35 percent of these are returned to contracting offices with specific recommendations for improvement before they are accepted by the contracting officer. Although we have noticed a trend toward improvement of subcontracting plan quality, we are not satisfied that maximum practicable subcontracting opportunities are routinely being provided.

In fiscal year 1980, for the first time, we participated in goal setting with the procuring agencies. Under the coordination of the Office of Federal Procurement Policy—OFPP—the procedure was to be completed by January 31, 1980.

The Small Business Administration—SBA—and the Office of Federal Procurement Policy were overly optimistic. In seven cases, impasses were submitted to the Office of Federal Procurement

Policy for final resolution and the process was not completed until April 1980.

For fiscal year 1981, it was hoped that final goals would be in place by October 1. In three cases impasses had to be referred to the Office of Federal Procurement Policy for final decision. Although the last impasse decision was in November, the vast majority of goals were agreed to before or shortly after the start of the fiscal year.

The Office of Federal Procurement Policy has relinquished its lead role in establishing goal-setting procedures for fiscal year 1982. SBA will establish the procedures with a view to having the goals agreed upon by October 1.

Each year the procuring agencies are required to report their procurement accomplishments to SBA, together with the reason for any goal shortfalls. SBA is required to submit these reports, together with its comments to Congress. This report was issued May 28, 1981. The report indicates substantial room for improvement. Much of the data needed for our analysis was not available. This problem in connection with subcontracting will be corrected by the use of standard forms 294 and 295, which have been approved and promulgated by General Services Administration and are in the process of being published by the Department of Defense.

The value of the process is evident. First, it helped to increase the small business share of procurements; and second, in many agencies, the goal-setting procedure forced an agencywide focus on the small business effort for the first time.

The certificate of competency—COC—program authorizes SBA to certify the responsibility of a small business to perform a specific Government contract. It is an appeal procedure which deals with a negative determination by a contracting officer as to elements of responsibility. A specialized staff conducts reviews in all relevant areas. Where weaknesses are found we seek to help the small business overcome them. All recommendations are made by a committee composed of legal, technical, and financial representatives.

The Department of Defense—DOD—has a "high dollar spare parts breakout program" which we believe in practice discriminates against small business and causes DOD to pay more for spare parts than is necessary. Although data is lacking, we can show a fairly steady decline in competitive reorders for spare and replacement parts.

We have instituted a pilot program involving three breakout procurement center representatives which should increase competition, reduce acquisition costs, and help expand the Nation's industrial base.

The surety bond guarantee program is now functioning as a professional and respected surety endeavor after justifiable criticism of the management of the program last year. New regulations will be published soon which should correct past problems. There will also be a continuing effort to graduate contractors from the program. The program will be carefully watched to increase the positive factors that are now in effect.

Mr. Chairman, this concludes my statement. I will be pleased to respond to your questions regarding this testimony.

[Mr. Cardenas' prepared statement follows:]

PREPARED STATEMENT OF MICHAEL CARDENAS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, I am pleased to have the opportunity to discuss with you the Small Business Administration's procurement subcontracting, and goal setting programs under Public Law 95-507. As you have requested, I will also address our programs on Certificate of Competency, Breakout, and Surety Bonds. Accompanying me today are Don Templeman, the Deputy Administrator, Bernard Kulik, Associate Administrator for Procurement Assistance.

The procurement assistance subcontracting program provides an excellent opportunity for success to countless small businesses. The enactment of Public Law 95-507, and in particular Section 211, has made it possible for small business to have this viability. To demonstrate the impetus given to small business by this legislation, figures for fiscal year 1980 indicate that the federal government contracted for $91.1 billion in goods and services from business organizations. Of this amount $21.5 billion, or 23.6 percent was awarded to small businesses as prime contractors.

During this same fiscal year small business accounted for $12.4 billion or 13.4 percent, in subcontracting awards. The goal for fiscal year 1981 for small subcontract awards is $13.8 billion.

To fully implement Section 211, it was determined SBA must review the proposed subcontracting plans before they were finalized in contracts and advise agency contracting officials of any inadequacies found in our review. Thus we placed Procurement Center Representatives (PCR) in resident status at 52 major Federal acquisition centers. A major function of these PCRs is to review the proposed subcontracting plans to maximize potential subcontracting opportunities for small business. The detailed cooperation of the Federal procuring agencies in this effort was directed by the Office of Federal Procurement Policy (OFPP) Policy Letter 80-1 entitled "Agency Coordination with SBA PCRs" which was incorporated into the Federal Procurement Regulations (FPR) on May 5, 1980 and into the Defense Acquisition Regulations (DAR) on about April 1, 1980.

During fiscal year 1980, we reviewed over 5,000 proposed subcontracting plans. In 2,423 of these instances, we made specific recommendations for improvement to the contracting officer. In the vast majority of these cases, negotiations between the contracting officer and the proposed prime contractor resulted in sufficient improvement to provide, in our opinion, maximum practicable opportunity for subcontracting with small and small disadvantaged business. In only 212 cases did we determine that the plan finally accepted by the contracting officer did not provide for subcontracting to small business and small disadvantaged business. These contracts and the areas in which they were deficient have been listed in a report which was submitted to this Committee on March 26, 1981.

There are two other methods by which we find that small business was not given optimum opportunities for subcontracting. First, during the course of our compliance reviews of plans in existing contracts we review the plan itself if it has not already been reviewed by a PCR. In some of these instances we concluded that the plan accepted did not provide adequate subcontracting possibilities. Second, in connection with advertised procurements, we found contracts which either did not properly address the 6 elements required in a plan or the numerical goals did not reflect subcontracting feasibility. The procuring agency can not refuse to accept plans under advertised procurements so long as all the elements are present even though some specific areas may be subject to improvement in our opinion. Unacceptable plans found under both of these methods are also included in our report.

Initial experiences brought to light many areas that required a coordinated approach to effectively implement the law. The issuance of OFPP policy Letter 80-2, "Regulatory Guidance on Section 211 of Public Law 95-507," has addressed many problems. This policy letter was effective on June 1, 1980 and was effective in the FPR on June 1, 1980 and in the DAR by September 1, 1980.

In fiscal year 1981 our PCRs have averaged 439 proposed subcontracting plan reviews per month. Approximately 35 percent of these are returned to contracting officers with specific recommendations for improvement before they are accepted by the contracting officer. Since the adoption of Policy letter 80-2 we have noticed a trend toward improvement of subcontracting plan quality.

We are not however, satisfied that maximum practicable subcontracting opportunities are now routinely being provided. Federal contracting officials, and SBA reviewing officers must continue to increase their efforts to negotiate plans which contain challenging subcontracting goals as well as provisions which reflect a positive commitment by the prime contractor to provide maximum subcontracting opportunities for small business and small disadvantaged business.

As we gain more experience under the law we become aware of problem areas and seek solutions that will benefit small business while not materially increasing the burden on prime contractors. For example:

1. On May 29, 1981, OFPP issued supplement #1 to Policy Letter 80-2. This amendment covers 5 different areas which in the opinion of OFPP will make the law operate more efficiently. As we gain more experience, I am certain additional changes will need to be made.
2. We have been approached by prime contractors with a suggestion for using the PASS system as an aid to establish size and disadvantaged status of specific potential subcontractors. This will substantially reduce paperwork and expense for prime contractors. We are implementing this suggestion.
3. We are working on a standard plan format that would increase consistency of implementation and reduce preparation and review time. The format will not however, reduce the plan provisions to meaningless boilerplate but will have to be customized for the specific contract in question.

GOAL SETTING

Goal Setting is an integral part of Section 221 of Public Law 95-507 and in fiscal year 1980 we participated with the procuring agencies in this process for the first time. on September 7, 1979 OFPP issued Policy Letter 79-3 which set forth the goaling categories and procedure to be used. The various submissions were to be made to SBA by December 31, 1979 with agreement on final goals within 30 days. Unfortunately, the process of estimating goals by the agencies and subsequent negotiations with SBA took much more time and effort than had been anticipated. In 7 cases, impasses were submitted to OFPP for fiscal resolution and the process was not completed until April, 1980.

Profiting by that experience, we changed the procedures for fiscal year 1981 in both scope and timing. Instructions were issued by OFPP on July 10, 1980 and it was hoped that consultations would be completed and final goals established by October. Again, in three cases impasse had to be referred to OFPP for final decision. Although some problems were not resolved until November, 1980, the vast majority of goals were agreed to by approximately October 1.

For fiscal year 1982, OFPP has relinquished its lead role in formulating the procedure for goal setting. SBA is formulating the procedure necessary to satisfy the requirements of Section 221. Also, by agreement with GSA we will include Labor Surplus Area (LSA) goals in the goal procedure and, as was done last year, will forward the agency LSA submissions to GSA for further appropriate action. We are currently reviewing the goal categories and information necessary and plan to issue appropriate procedures shortly. Again, our desire is to have the goals established prior to the start of the fiscal year.

Each year, the procuring agencies are required to report to SBA their attainment of established goals. In the event of failure to meet goals, the agency must justify the shortfall. These reports, together with SBA's comments, must be submitted to Congress. The first report covering fiscal year 1980 was transmitted to this Committee on May 28, 1981. This was the first such effort, and in many areas the information necessary to make a definitive analysis was not available.

For example, in the area of subcontracting, data is not being collected by procuring agencies. This problem will be resolved by the use of Standard Forms 294 and 295 which have recently been approved and promulgated by GSA and are in the process of being promulgated by DOD. It was also found in some instances that the data submitted by the agency did not agree with the summary information submitted by the same agency to GSA. In those instances we used the GSA data and so informed the reporting agency.

The value of goal setting can be seen even in this first year in the summary analysis of prime contract goals and achievements. The goals as initially projected by the agencies amounted to $15.3 billion or 18.4 percent of estimated volume. The final negotiated goals were $17.2 billion or 20.6 percent. The accomplishment was $16.4 billion or 18.9 percent. Thirteen agencies exceeded their goals and 9 fell short. We believe the negotiated goals, as a whole, represented an attainable target. Of equal importance many agencies for the first time adopted an agency wide focus for this small business effort.

In some instances during the negotiations the agency representatives realized their lack of involvement in the procurement decision making process and the data gathering process and could take appropriate corrective action.

This educational effort bore fruit. The agency representatives in the goaling process for fiscal year 1981 were much better prepared as a whole than they were for fiscal year 1980.

We believe the goal setting requirement is extremely important and is necessary to emphasize the statutory preference afforded to procurements from these groups. SBA shall continue its aggressive efforts to give small business the help it needs through the goal setting procedure. However, we do not believe in taking unfair advantage of procuring agencies. On more than one occasion we have pointed out to an agency that a particular goal which they had proposed was too high under the known circumstances.

CERTIFICATES OF COMPETENCY

The Certificates of Competency (COC) program authorizes SBA to certify the responsibility of a small business to perform a specific government contract. It is, in fact, an appeal procedure which deals with a negative determination by a contracting officer as to elements of responsibility.

The staff of SBA employees who handle COCs have a technical/engineering background and work in cooperation with financial specialists. In each case a team comprised of financial and technical personnel is sent to survey the firm. The survey evaluates the characteristics of the applicant in terms of the specific acquisition in question. Credit ratings, past performances, management capabilities, management schedules and other relevant matters are considered. If weaknesses are found the prospects for obtaining needed assistance (including other SBA programs) are considered.

The team's findings are presented to a COC review committee composed of legal, technical and financial representatives which makes a detailed review of the case and makes its recommendation. If the decision is affirmative the procuring agency is always notified and given the opportunity to present additional material or arguments in support of their position. The final decision is made by the Regional Administrator, or in certain cases, by the Associate Administrator for Procurement Assistance.

A COC is valid only for the specific contract for which it is issued. A business capable of handling one contract may not be qualified to handle another.

To the small businesses involved the COC program can be the difference between success and failure. A determination by a contracting officer that a small business is lacking some element of responsibility can be a very serious, and perhaps fatal, blow ranging from beyond that of the contract in question. In these days of economic difficulties, when many more businesses are turning toward government procurement a negative determination or responsibility assumes even more importance. Yet SBA must continue to be aware of the needs of the procuring agencies, particularly when it involves vital matters. This is an important program to small business. In fact, during fiscal year 1980 only 38 percent of the companies referred for a COC actually filed for an application. Of the 944 that did file, only 547 or 58 percent received COCs.

This is a dynamic program and we seek to enhance it for small business. Presently, we are amending the Standard Operating Procedure (SOP) to provide more definitive procedures in the areas of tenacity, perserverance, integrity, and Walsh-Healy referrals.

Recently a Comptroller-General opinion ruled that the government wide system which required producers of audio visual aids to prequalify to get on a bidders list denied such companies the right to have a COC review which they are given in the Small Business Act. This can substantially increase the number of COC referrals. A similar case covering a different procurement area is now pending before the Comptroller-General.

BREAKOUT PROGRAM

For approximately the last decade we have closely monitored the impact on small defense hardware manufacturers of implementation procedures and practices by the military departments of the Department of Defense "High Dollar Spare Parts Breakout Program" joint regulation. This DOD regulation, the current edition of which is dated March 1969, provides for the means that determine how to acquire each of the millions of individual replaceable component parts of systems and equipment separately purchased as repair and spare parts. The purchasing method to be used determines the amount of competition involved in the purchase. Generally, in this situation more competition favors small business. Competitive restrictions usually limit procurement to one or few large businesses.

Annually, spare parts acquisitions by the DOD total several billions of dollars. I am unable to provide this Committee with figures on the annual value of parts acquired on either a fully competitive, or on a limited competitive or single source basis. I do not know of any reporting or data accumulation system in effect within the DOD which provides that information. However as of December 3, 1980, only 309 thousand or 7.9 percent of 3.9 million total nationally stock numbered parts were coded for fully competitive solicitation.

We also were able to informally obtain data reflecting the annual value and ratio of competitive and noncompetitive purchases by certain installations in recent years. Those data indicate a continuous decline over the past decade in the ratio of competitive to total acquisition dollars.

Thus you can readily understand our concern over the alarming trend toward noncompetition in acquiring repair and replenishment spare parts by DOD. Clearly, this trend must be reversed if the small business community is to receive a fair share of DOD contract dollars for this commodity and if we are to be successful in expanding our Nation's industrial base and commercial production capabilities for these items.

In late 1979 the SBA initiated a pilot program aimed at increasing small business opportunities to compete for supply spare parts requirements of the DOD. To this end the SBA created a new Agency position termed "breakout PCR," and employed three highly qualified individuals with extensive engineering backgrounds during fiscal year 1980. One was assigned at each of three Air Force Air Logistics Centers (ALCs). They are located at Oklahoma City, Okla., San Antonio, Tex. and Warner Robins, Ga.

Significant achievements already have been realized from this pilot program, though only slightly more than one year has elapsed since its inception. One recent example involved the award of a $244 thousand contract to a small business for different quantities of two almost identical items. Previously these items had been restricted for several years to acquisition from the large business system prime contractor whose bid for the same requirements totalled $582 thousand. This single buy produced a net savings of $338 thousand to the Government. Comparable savings on all future buys for these parts can be anticipated.

One of the SBA breakout PCRs recently developed an innovation designed (1) to substantially reduce DOD processing time and costs for certain categories of items; (2) to reduce, if not altogether eliminate, the possibility of inconsistent purchasing methods to almost identical and similar parts in the same category; and (3) to permit quick identification of new potential small business sources. A presentation of this breakout PCR innovation was made at each of the five Air Force ALCs between November 1980 and February 1981. I am pleased to advise you that it was very well received at all five locations.

I am convinced that the breakout PCR concept, even at this early stage of the pilot program, is a most worthwhile endeavor. Ultimately it will contribute to increased contracting opportunities for small business, to increased competition and resultant lower acquisition costs for DOD spare parts requirements, and to an expanded industrial base to produce future DOD requirements for these items.

In 1979 DOD asked us to review a proposed revision of the 1969 regulation. Our comments were extensive and detailed our longstanding concerns and misgivings with this DOD regulation and in particular its implementation. If you wish I can supply copies of these comments and the relevant correspondence.

SURETY BOND GUARANTEE PORGRAM

Last year the Surety Bond Guarantee came under strong criticism by the General Accounting Office, our own Inspector General, and others. In response to these criticisms, a number of operational charges were made and the program is now reestablished as a professional and respected surety endeavor.

The new regulations designed to overcome past weaknesses are in final clearance and due to be published shortly. Upon their publication, a new field directive will be distributed as will an underwriting and a claims handbook. New and better forms will be a natural consequence of these actions which in turn will produce more reliable statistical information.

Somewhat further in the future is the adoption of a surety treaty which will furnish a better and stronger relationship between the Government and the sureties and which will be more in keeping with private sector practices in the industry, this of course being based on the assumption that a workable document can be designed.

To make this a more viable program a continuing effort will be made to graduate contractors from the guarantee program as well as to make available management assistance to those requiring it. Prompt referral of problem cases to the Inspector General as well as the use of auditing capacity will be emphasized in the operation.

Mr. **LaFalce**. I am going to refrain from questions right now and defer to the other members of the subcommittee.

Both of you gentlemen have great responsibilities, insofar as the small business community is concerned. It is obvious in your case, Mr. Cardenas, as Administrator of SBA, and Mr. Carmen, as head of GSA, you have got not only the procurement of GSA, which is so great, but also specific responsibilities for the other agencies under certain Federal laws. I will ask some questions at the end, and I will defer to Mr. Addabo.

Mr. ADDABBO. Thank you, Mr. Chairman.

Mr. Carmen, your office promulgated certain rules and regulations relative to the labor surplus questions with which we have been having problems for some years, and a copy of your communication was sent to the President on February 27. Do you have a copy of that, or can you supply a copy of that to the committee?

Mr. CARMEN. Yes; we do and will.

[The information referred to above follows:]

LSA SOURCE (ZIP CODE) LIST REPORT TO THE PRESIDENT
FROM OFPP DATED DECEMBER 9, 1980

APPENDIX E.—MEMORANDUM FROM OFPP TO THE PRESIDENT TRANSMITTING REPORT OF LABOR SURPLUS AREA TASK GROUP

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

DEC 9 1980

MEMORANDUM TO THE PRESIDENT

FROM: Karen Hastie Williams, Administrator, OFPP Karen Hastie Williams

SUBJECT: Report of Labor Surplus Area Task Group

Your report to the Congress of July 22, 1980, on the Labor Surplus Area (LSA) program directed that a Task Group, chaired by the Office of Federal Procurement Policy (OFPP), forward to you a report with recommendations and a plan of action for meeting the Government's LSA source needs. The report is forwarded herewith.

Enclosures

Report of the Labor Surplus Area Task Group

The President's Report to the Congress, July 22, 1980, on the Labor Surplus Area program directed that a Task Group chaired by the Office of Procurement Policy (OFPP) "forward to the President within 90 days recommendations and a plan of action for meeting the Government's (LSA) source lists needs." An improved LSA source list was identified as a helpful tool for program and procurement officials as they implement the Administration's Urban Policy.

In response to this requirement the OFPP established an interagency "Labor Surplus Area Source List Committee", comprised of representatives of the General Services Administration, Small Business Administration, National Aeronautics and Space Administration, Department of Defense, Department of Energy, Department of Transportation, Department of Health and Human Services, Department of Commerce, Department of Labor and the Federal Emergency Management Agency. The first meeting of the Committee was held on August 8, 1980, with subsequent meetings on September 9, September 29, and October 15, 1980.

The President's report to Congress stated that contracting officers were not using the "first priority" category of Public Law 95-89, August 4, 1977. This category is a set-aside for small businesses performing in labor surplus areas. The "Maybank Amendment" (an annual rider to the Defense Appropriation Act) has had the effect of preventing the Department of Defense from employing "total" LSA set-asides. However, civilian agencies may, and in fact must under PL 95-89 and PL 96-302, use and give first preference to total set-asides for small firms in labor surplus areas. Failure to use this "top priority" category seriously inhibits the potential of the program for increasing Federal contracts in labor surplus areas.

One reason the first priority category is not being used could well be that contracting officers do not have information as to the availability of LSA firms. Thus, there is a pressing need to do better in identifying LSA firms available to do business with the Government.

PASS

The committee members found that the Procurement Automated Source System (PASS) in the Small Business Administration was a valuable means of collecting and making available the names of small firms in labor surplus areas; and its use should be encouraged.

The PASS system may be described, briefly, as follows:

PASS is a computerized data base of approximately 30,000 small firms that have indicated an interest in government contract and subcontract opportunities and have submitted profiles to the Small Business Administration describing their capabilities as well as other significant data elements. PASS makes these firms and their capabilities known when specific source requests are made by Federal procurement officers or buyers in the private sector. Over 40 remote terminals are now used to instantaneously retrieve a profile from the data base by searching and matching over 7,000 key words and numerous key fields. In addition to Labor Surplus Area identification, PASS is capable of searching for minority, female and veteran ownership; 8(a) firms; bonding level; operating radius and geographic location by city, state and Federal region.

The advantages of PASS are as follows:

1. PASS is an established system, presently in use, known and recognized throughout the Government procurement community as a source of information regarding small business. More than seven thousand (7000) LSA firms are already listed in PASS.

2. Federal agencies already have access to PASS as follows:
   (a) Department of Energy - 15 terminals(with request for 8 more)
   (b) Small Business Administration - 13 terminals
   (c) Department of Defense - 5 terminals(with request for 43 more)
   (d) Department of Commerce - 2 terminals
   (e) General Services Administration, Environmental Protection Agency, Departments of Health and Human Services, Labor, Treasury, and Interior - 1 terminal each

3. PASS has the capability of identifying small firms in labor surplus areas.

4. Only firms having a definite interest in Government business are included in PASS since the system requires that the company apply voluntarily for inclusion in the system, set forth information in a certain manner and format, etc.

5. In many instances, compatible terminal equipment is already available at procurement activities. Further, it will be relatively inexpensive to place and use PASS terminals at procuring activities not now possessing them.

It is acknowledged that PASS only records information on small firms in labor surplus areas and is not a means of developing a comprehensive list of LSA firms wishing to perform Government contracts. However, as indicated in the September 9, 1980 minutes of the Source List Committee (attached) each agency has been directed to send to PASS, after appropriate processing, its complete list of small firms which will be screened by SBA to exclude firms already in the system. Firms not included will be invited to register in PASS by completing the "company file" forms. Mr. Joseph Kernan of SBA will head the subcommittee responsible for overseeing the transmission of the information from the agencies to PASS.

DECENTRALIZED SOURCE LISTS EFFORT

At present, the procuring activities in each agency maintain LSA and other source lists, which vary in completeness and sophistication. Until such time as PASS is available to the vast majority of procuring activities, continued reliance on these lists is necessary and desirable. This would be in addition, and complementary, to PASS. In an effort to improve these lists each agency has been advised by OFPP to take appropriate steps to (1) identify LSA firms on its existing lists and (2) add the names of LSA firms not now on agency lists but desiring to perform Government contracts. Further, agencies were briefed on September 8. 1980, by Mr. Madison of GSA on the Centralized Computerized Bidders Mailing List System (CCBML) of the Federal Supply Service in GSA. Each agency will receive from OFPP a detailed statement prepared by GSA setting forth the concept and operation of the CCBML presently in use in FSS. Briefly stated. under the CCBML the contracting officer, on a commodity basis, can identify (by name) small business firms in labor surplus areas potentially available to bid on a Government request.

OUTREACH TO PRIVATE FIRMS

By notice in the September 12, 1980 issue of the Information Industry Association Newsletter and in the Commerce Business Daily of September 22, 1980 (enclosed), private firms were advised of the Government's interest in discussing approaches to the effective accumulation of data regarding labor surplus area concerns. Twenty-five firms responded. To date, the OFPP Committee has been briefed by two concerns and will be briefed by others in November 1980. A recommendation will be made on the role of private sector firms after the conclusion of the briefings. A subcommittee headed by Mr. George Beckerman, Department of Commerce, along with Mr. Joseph Kernan, SBA, and Mr. Marrel Foushee, HHS, will be responsible for this effort.

Finally, the Source List Committee has also requested the Northeast-Midwest Coalition (whose representative attended the Committee's meetings, as an observer) to ask each of its Congressional members to (1) advise business constituents, through newsletters, of the existence of the LSA set-aside program and (2) solicit names of LSA firms for inclusion in agency and SBA/PASS source lists.

RECOMMENDATIONS

- That the Federal procurement agencies proceed as indicated above; namely, strengthen the internal source lists of each agency and rely on the PASS as the central source of information regarding contractors performing in LSA areas.

- That discussions with the private sector continue and that a follow-up report on their role be submitted by the subcommittee by March 1, 1981.

Karen Hastie Williams
Administrator
Office of Federal Procurement Policy

Minutes of Meeting of September 9, 1980
of the OFPP LSA "Source Lists" Committee

A list of the attendees (with phone numbers and addresses) is attached.

1. Mr. Birnbaum of OFPP, Chairman, stated that one purpose of the meeting was to review the assignments of the last meeting. This was accomplished, as will be discussed, infra.

2. Mr. Madison, GSA, advised the Committee that his agency had computerized its Federal Supply Service bidder's list so that, on a commodity basis, a contracting officer could identify by name all small firms in labor surplus areas available to bid on the Government need. Mr. Madison is requested, by this memorandum, to make known to the other procuring agencies the details of the GSA system. Although use of the SBA PASS system as a source of information for the LSA program is certainly feasible, it is regarded as supplementary to each agency's developing, on its own, computerized lists similar to the one developed by GSA. Additional information on this matter will be furnished shortly by OFPP to the agencies.

With reference to the expanded use of PASS as a supplementary source of LSA information, each agency should send to the SBA PASS office (Mr. Joe Kernan) its complete list of small firms. SBA/PASS will then incorporate those names into its system. Each agency with established goals should contact Mr. Kernan on this matter, as agreed during the September 9, 1980 meeting. Further, as agreed, SBA will screen the various agency lists for duplications, etc. However, since SBA/PASS relies on the cooperation of small firms in completing "profile forms" to furnish business, manufacturing and other data, this must be completed first before any agency data is submitted to SBA/PASS. To facilitate this process, by this memorandum, a subcommittee is hereby appointed of Mr. Beckerman, Commerce, Chairman, and Mr. Kernan, SBA, Mr. Rosen, NASA, Mr. Terry, DOL, and Mr. Madison, GSA, members, to develop a system for the orderly collection by agencies of "small business firm" data and transmission to SBA/PASS in a suitable and usable form. This Committee is requested to report back to OFPP on or before January 15, 1981. In the meantime, each agency, as discussed at the September 9, 1980 meeting, shall advise each small firm with which it transacts business of the existence of the PASS system and advise how, if desired, a firm may be included in that system.

As stated, the expansion of PASS is regarded as a possible long-range approach to the "source list" problem. The OFPP and Government emphasis is on adequate source lists on an agency by agency basis.

Mr. Birnbaum will speak to the Northeast-Midwest Coalition (Miss DeVaul of the coalition was present at the meeting) about having Congressional members of the coalition (1) advise, business constituents, in their newsletters, of the existence of the LSA set-aside program under PL 95-89 and PL 96-302 and (2) solicit names of LSA/small business forms for inclusion in agency and SBA/PASS lists of small firms.

Owen Birnbaum
OWEN BIRNBAUM

- NOTICE -

The Office of the Federal Procurement Policy, in the Executive Office of the President, has formed an interagency task group to consider improvements in source lists of firms interested in doing business with the Federal government under the provisions of Public Law 95-89. This statute provides for procurement set-asides for firms in designated areas of high unemployment - labor surplus areas.

The task group is developing an inventory of existing source lists for this socio-economic procurement program. (There are, of course, several other socio-economic procurement programs, including those focused on small business and minority-owned business.) The task group wants to learn the capabilities of private firms who have developed or are developing source lists and information delivery systems that are or could be helpful in improving current systems.

If you can provide timely information on the manufacturing or service capabilities and locations of small to large businesses, please complete the form below and return it to the Information Industry Association, 316 Pennsylvania Ave., S.E., Suite 502, Washington, D.C. 20003, Attention: Robert S. Willard, Vice President, Government Relations.

The Association is working with the Department of Commerce on this aspect of the task group's effort. We will contact you to make arrangements, through the Department, for introducing you to the task force. For early consideration, please reply by September 24, 1980. Thank you.

Source List Inquiry - Response Form

Company Name ______________________________

Contact Name ____________________ Telephone __________

Street Address ______________________________

City, State ____________________ ZIP __________

Check one:

System Available __________

Under Development __________

Mr. **Addabbo**. Has your office been closely monitoring the question of whether or not there has been compliance with the labor-surplus-area procurement policies?

Mr. **Madison**. We have, sir. In October 1979 an interagency labor surplus committee was established to take a look at issues of common concern to all of the agencies involved in the LSA program. To date we have had four such meetings.

Mr. **LaFalce**. Who is the chairman of that?

Mr. **Madison**. I am the committee chairman on behalf of GSA. Under Executive Order 12073, we have a Government-wide responsibility for the LSA program, which includes establishing labor-surplus targets. For fiscal year 1980, the target established was $1.3 billion. While we fell somewhat short, we were very proud that the agencies did accomplish a total of $1 billion, which tremendously exceeded any performance in previous years in this program. We also have a responsibility for working very closely with State and local governments, which we have certainly done. Also we are very actively involved in the labor-surplus outreach demonstration program which has had quite a bit of success, so yes, sir, we do monitor the agencies' performance. We have been unsuccessful however, in getting achievement data from our Federal Procurement Data Center for the first half of fiscal year 1981, but we are expecting to have that information in the very near future.

Mr. **Addabbo**. We will be following this much more closely in our defense appropriation bill, and we have received the assurance of the administration that they will support another year's extension of the Defense program so we can get the proper test period.

Mr. Carmen, on page 3 you state the fiscal year 1981 LSA target of $1.5 billion is "ambitious."

What estimate of the total purchases is the $1.5 billion based on?

Mr. **Madison**. What we do, along with the SBA, just prior to the beginning of the fiscal year, is to go out to agencies and ask them to recommend to GSA, based on their appropriations and budgets, what they feel their LSA targets should be. We then review proposed and upcoming procurements along with other historical data, go to the table, negotiate and come up with a target for the upcoming fiscal year. As a result of all of the above, we established what we feel to be a realistic target of $1.5 billion, which in our opinion is ambitious and attainable.

Mr. **Addabbo**. What percentage of the actual total is this? Total purchases?

Mr. **Madison**. Ten percent, I believe, sir.

Mr. **Addabbo**. Ten percent. How does that relate to 1981, or 1980?

Mr. **Madison**. It is just less than 10 percent.

Mr. **Addabbo**. And how much was it in 1979?

Mr. **Madison**. 1979?

Mr. **Addabbo**. You have not improved any?

Mr. **Madison**. We have improved.

Mr. **Addabbo**. From what?

Mr. **Madison**. Fiscal year 1980 was really the first year that a structured target setting procedure was put into effect by OFPP and uniformly implemented by the agencies. Notwithstanding that, we did establish goals in 1979.

I would like to submit those numbers for the record.

Mr. ADDABBO. Please do, because when you mention ambitious, I do not know what you mean by ambitious.

[The information referred to above follows:]

FISCAL YEAR 1979, 1980, AND 1981 LSA SET-ASIDE GOALS

LSA SET-ASIDE TARGETS

[Dollars in millions]

Agency	Fiscal year 1979 targets recommended by GSA	Fiscal year 1980 targets recommended by GSA
Energy	$200.0	$206.5
TVA	200.0	206.5
NASA	90.0	92.9
GSA	140.0	176.1
HEW	100.0	116.7
VA	160.0	165.2
Interior	130.0	134.2
Transportation	45.0	46.5
Agriculture	62.3	77.5
Labor	12.7	13.1
Commerce	18.0	18.6
HUD	60.3	62.3
Treasury	3.3	3.4
EPA	20.0	20.7
Justice	3.0	3.1
Total	1,244.6	1,343.3

PERFORMANCE IN THE LABOR SURPLUS AREA PROCUREMENT SET-ASIDE PROGRAM

[Dollars in millions]

Department	Fiscal year 1980 Target	Fiscal year 1980 Actuals	Percentage of target
Agriculture	$77.5	$45.0	58
Commerce	18.6	11.2	60
Energy	206.5	73.0	35
EPA	20.7	1.6	8
GSA	176.1	174.0	98
HHS	116.7	68.6	58
HUD	62.3	28.1	45
Interior	134.2	134.7	100
Justice	3.1	1.4	45
Labor	13.1	23.5	179
NASA	92.9	92.0	99
Transportation	46.5	80.0	172
TVA	206.5	62.2	30
Treasury	3.4	2.0	58
VA	165.2	190.0	115
National Science Foundation	16.0	32.0	200
Small Business Administration	1.9	8.0	421
Total			

LSA SET-ASIDE TARGETS

[Dollars in millions]

Agency	Fiscal year 1980 targets recommended by GSA	Fiscal year 1981 targets recommended by GSA
Agriculture	$77.5	$101.3
Commerce	18.6	15.8
Energy	206.5	180.0
EPA	20.7	11.0
FEMA	.1	1.1
GSA	176.1	188.74
HUD	62.3	81.1
HHS	116.7	120.0
Interior	134.2	181.1
Justice	3.4	2.0
Labor	13.1	59.2
NASA	92.9	100.0
Transportation	46.5	65.0
Treasury	3.4	3.0
TVA	206.5	193.0
National Science Foundation	16.0	16.4
VA	165.2	218.2
Arms Control and Disarmament Agency		.5
International Communications Agency		.24
Nuclear Regulatory Commission		.19
Pennsylvania Avenue Development Corporation		.2
Total	1,359.7	1,538.0

Mr. ADDABBO. You mean because this is a great goal you are going to achieve, or is it ambitious because it is a new, true goal you are going to achieve, or is it ambitious because you do not think you can achieve the goal?

Mr. MADISON. I certainly hope that we can achieve the goal.

Mr. ADDABBO. It is a new goal, new horizons?

Mr. MADISON. The LSA procurement program now has a statutory base and a constituency that was not necessarily there before. As a result of all of this, I believe that the goal of $1.5 billion is ambitious and achievable.

Mr. ADDABBO. We have new boys on the block, and we are going to watch it very carefully. GSA is one of the biggest purchasers, and 10 percent does not even scrape the surface. Dave Stockman has told us you are going to try and break out large contracts into smaller contracts. We can look at the possibility of more than $1.5 billion.

Mr. Carmen.

Mr. CARMEN. Speaking as a small businessman and as one who grew up in a little town in Manchester, N.H., I was close to Lawrence, and am familiar with those kinds of areas. If philosophy and enthusiasm is what you are looking for, you have exactly that in the Administrator of GSA. I have lived it, and been part of it, and it will be pursued, enthusiastically pursued.

Mr. ADDABBO. I am happy to hear that.

Mr. Cardenas, I again say amen to your statement.

A similar statement has been prepared for other administrators before you, and we usually start out with this type of an agreement or understanding, and then all of a sudden somewhere along the line there is a slip, and we find ourselves in the same rut or same condition, as far as small business is concerned, that is, on the outside looking in.

On page 1 of your statement you say the Federal Government contracted for $91.1 billion in goods and services from business organizations. Of this amount, $21.5 billion, or 23.6 percent, was awarded to small businesses as prime contractors, which is a good percentage. We are moving in the right direction.

Of the $21.5 billion, or 23.6 percent, what percentage was actually for goods purchases, and what percentage was for services purchases?

Mr. **Cardenas**. I do not have that at my fingertips. I will be glad to submit it for the record.

[The information was not received.]

Mr. **Addabbo**. I wish you would, and we will find when you do, the usual cases, the janitorial services, the menial services, that is where the money is going, that we are not looking for true procurements to bring in other small businesses. There is a capability out there. There is great competition out there. There is great quality out there, and in the production of goods. And to fatten up or to show statistics by just filling it in with service contracts I think demeans the small businessman.

It does not fulfill the obligation that we have to the entire small business community, and you fully agree with me. We have discussed this, and you have said that you are dedicated to the proposition that we are going to try and build up on the question of goods rather than just filling it up with services.

Mr. **Cardenas**. Correct, and I have also stated that we would look into the various geographical locations that have very low, if any, contracts to see how we can help those areas, to make more contracts available to small business which is more labor-intensive than large business.

Mr. **Addabbo**. On page 2 of your statement you mention during fiscal year 1980, which was before your administration, SBA reviewed over 5,000 proposed subcontracting plans, and in 2,400-plus of these instances, you made specific recommendations for improvement to the contracting officer.

When these recommendations are made, are they followed up to make sure, to see if the contracting officer is complying, is trying to do something more?

Mr. **Cardenas**. Yes, and that is specifically why we have our procurement center representatives located at procuring installations, to have them on location to pursue these matters, and it has proven to be a very effective procedure.

Mr. **Addabbo**. The question of certificate of competency has been very seriously raised in the last several years.

There is a better track record within SBA now, as far as the certificates of competency being issued, their review, and speedy answer. So often in the past, by the time a COC was approved, the contract had been let and the COC became almost null and void. So I would commend you on your action, as far as those certificates are concerned, and your complete diligence on that.

The President, Dave Stockman, and you, Mr. Administrator, have mentioned the importance of the small business community, but we see certain directions. We see certain paths being taken to consolidate the different programs, and it seems like the administration is trying to destroy several national programs by a block grant. We are almost looking to make SBA a block administration, and this was not the intention of the original law.

Do you feel you would better serve the small business community by this blocking together, this forming into one group rather than the separate lines that we have seen, so that they can be monitored more easily?

Mr. CARDENAS. If you are referring to the regular block grants of social programs, no. I feel that we could serve better as we are than going to the block grant system.

Mr. ADDABBO. There is discussion of the possibility of doing away with SBA as an independent agency, and possibly merging it with Commerce. Would you support any such merger?

Mr. CARDENAS. No; I would not.

Mr. ADDABBO. The committee, needless to say, will support you in that battle.

Mr. CARDENAS. Thank you. If I did not feel as strong as I do for small business, believe you me, I would not be here.

I feel that I do have that latitude, that I can speak to people at the White House, Office of Management and Budget, come to you and Members of the House and the Senate. I feel very confident that the administration does look at the viability and the necessity of the small business community playing a very important role in this economy. I march forth with that feeling.

Mr. ADDABBO. I like what you said, and I do not like some of the things you are doing now as far as consolidation within the Department, but those battles we will continue to fight as far as legislation is concerned, I and this committee am concerned.

Mr. CARDENAS. I am not quite sure I understand you.

Mr. ADDABBO. Doing away with the 7(a) programs, and 8(a) programs.

Mr. CARDENAS. We are going to do everything possible to save the 8(a) program, to make it more effective and to save it.

Mr. ADDABBO. Thank you very much.

Mr. LAFALCE. Mr. Smith.

Mr. SMITH. I have one question. On March 13, 1981, FSS procurement letter No. 324 reversed policy on consideration of late offers and permits GSA to separate proposals that offer significant cost or technical advantage to the Government.

It is my understanding that there was a serious delay in the dissemination of procurement letter No. 324 to the procurement officers, and I would like to know what steps are being taken to correct situations where a firm was late in submitting its bid? Its bid is of significant technical advantage or cost advantage to the Government, but the procurement officer was unaware of this policy at the time. I know of at least one situation, and I am sure there are many others.

Mr. CARMEN. I think that letter was withdrawn. We are studying that matter to come up with a better policy than the one which was prescribed in that letter. As far as competitive bidding, if we are going to run GSA as a business, we are going to have to have the type of rules and regulations that you would have in the business world, and unless it is an extraordinarily circumstance, late is late.

Mr. **Smith**. Even if the letter was withdrawn, would it not still have the effect of the law during the time period it was in effect?

Mr. **Carmen**. I do not believe so. I have only had a very limited involvement in that matter. I believe that was withdrawn.

Mr. **Smith**. Prior to its withdrawal, it would have to be in effect?

Mr. **Carmen**. We will have to get that for the record for you.

Mr. **Smith**. I would also like to pursue with you at the conclusion of this meeting the case of Pitney Bowes Dictaphone where they feel they had a good case to be made, and apparently they have not received an adequate answer, and I would like to pursue that with you.

[The information referred to above follows:]

The policy letter in question was issued on March 13, 1981 (Federal Supply Service Procurement Letter No. 324). It was rescinded on May 5, 1981.

(The solicitation in the Dictaphone matter was issued on March 2, 1981.)

Mr. **LaFalce**. Mr. Weber?

Mr. **Ed Weber**. Mr. Carmen, in your testimony, what is your definition of small business? Just a point of information. Frankly, I was surprised to see that American Motors is considered a small business. What are we talking about here if American Motors is considered small?

Mr. **Carmen**. I asked that question on the way over in the car. And Bill was explaining to me that we do not have a definition of what size constitutes a small business, that it depends on the industry and a lot of other involved factors; you probably could say American Motors is a small business as far as the automobile industry is concerned.

Mr. **Ed Weber**. It is something that varies from business industry to industry?

Mr. **Carmen**. Yes.

Mr. **Ed Weber**. At the bottom of your page 2 in which you talk about your outreach efforts in 144,000 counseling actions, nearly a quarter of which were minority-owned businesses, can you describe for us what those actions are?

Mr. **Madison**. Yes; within the GSA, we have business service centers whose primary function it is to counsel, among others, small and minority owned firms on how to do business not only with the GSA, but with the entire Federal Government.

Those facilities are generally located in regional cities throughout the country. However, in remote locations, we have what we call a circuit rider program where we send our people out, to meet with the local chambers of commerce and interested entrepreneurs and conduct counseling sessions on a one-to-one basis.

In addition to that, we participate in congressional seminars, and procurement seminars throughout the country.

Mr. **Ed Weber**. Do you have any of those scheduled in the near future?

Mr. **Madison**. We do them on a daily basis. I just recently participated in one in the city of New York.

Mr. **Ed Weber**. What seminars, conferences, and public meetings are scheduled in the near future?

Mr. **Madison**. I am about to participate in one in Kansas City this coming week, but again, our field people are doing that on a daily basis.

Mr. **Ed Weber**. OK, Mr. Cardenas, on the certificates of competency, on page 7 of your testimony you refer to credit ratings, past performances, management capabilities, management schedules, and other relevant matters that go into your determinations of competency.

Can you tell us what are the major reasons for denials of certificates of competency? What are the major problems that result in denial of a certificate for a company?

Mr. **Templeman**. If I may answer that question, the two major reasons would be the failure of financial capability generally in the cash flow area, that the contractor just simply cannot carry it out for financial reasons; the other reason, simply because he did not plan the technical side or did not have the technical capability to produce the product.

Mr. **Ed Weber**. Describe in a little more detail the pilot program for breakout PCR's that is discussed on pages 9 and 10 of your statement.

Mr. **Templeman**. The pilot program is the first time that SBA has assigned individuals, PCR's in this case, to the task of monitoring the breakout efforts of major Air Force logistics centers. There are three. These individuals do not perform normal PCR functions, but devote their entire time to the breakout program where they go in and actually work with the Air Force to see which major spare parts items can be broken out of their normal procurement cycle based on a code that is assigned by the Air Force, and to get codes changed so that they can go out to open competition wherein small business will have an opportunity to bid on them.

Mr. **Ed Weber**. You are optimistic about that program?

Mr. **Templeman**. It has proven initially, at least, to look very good.

It is a pilot program, and we are continuing it based on the fact that the initial results look good.

Mr. **LaFalce**. The second set of bells that rang indicate that we have 10 minutes to cast votes on final passage of H.R. 1257.

I have many more questions that I want to ask both Mr. Carmen and Mr. Cardenas, so it will be necessary to have a delay. We can either have a 10-minute delay and come back or we can have an hour's delay for lunch.

Do either of you gentlemen have preference? I would prefer to resume in approximately 10 minutes or so, if that is OK. The subcommittee will recess for approximately 10 minutes.

[Recess.]

Mr. **LaFalce**. The subcommittee will be in order.

Mr. Carmen, I am a little concerned about the goals that were established for fiscal year 1981; I know you had no responsibility for that, in comparison with the goals that were established for 1980, and the goals that, of course, will be established for 1982.

Now, can you tell me, considering all of the various preferential programs, what the 1980 goal was in percentage terms, percentage of the whole?

Mr. **Madison**. Are you speaking of the LSA goal?

Mr. **LaFalce**. All of your programs, all the Public Law 95-507.

Mr. **Madison**. Immediately following the prepared statement, we have a chart which shows the dollar goal for fiscal year 1981, along with the percentage goal for fiscal year 1981. These are the goals that we negotiated and reached agreement on with the SBA.

I will be glad to discuss or elaborate in any way you wish.

Mr. **LaFalce**. Well, I have the figure before me that 1980 your overall goal was 48.3 percent of the total, and your actual achievement was 37.9 percent.

Mr. **Madison**. That is correct, Mr. Chairman.

As we have indicated previously, there were a few things that happened during fiscal year 1980 that made it impossible for us to achieve our goal.

Our original goal for small business prime contract awards over $10,000 proposed to SBA was 40.2 percent of our total budget for fiscal year 1980; but as a result of the moratorium on the purchase of new furniture and not being able to make contract awards to American Motors because of their inability to meet the miles-per-gallon standard, we fell short.

Mr. **LaFalce**. Why do you think that the fiscal year 1981 overall goal was set at 35.6 percent, which is not only less than the fiscal year 1980 goal, but it is less than what was actually achieved in fiscal year 1980?

Mr. **Madison**. In terms of dollars, it is greater.

Mr. **LaFalce**. Of course, inflation goes up, and you cannot just look at dollars. You have got to look at percentages.

You have reduced your goal, I believe, from 48.3 percent to 35.6, but in any event, you have certainly reduced it from an actual achievement of 37.9 percent to a goal of 35.6. So your commitment as a percentage of the whole decreased from fiscal year 1980's actual achievement to what your goals would be, and I find that troublesome.

Mr. Carmen, does it trouble you? I am sure it is hitting you somewhat cold, too.

Mr. **Carmen**. It is hitting me cold, and it is an increase of almost 50 percent in total dollars. I am not familiar with the methodology that went into reducing the actual percentage, but I will find out and get back to your committee.

Mr. **LaFalce**. Please, because we cannot just look at percentages and actual dollars. In every instance, we have got to look to both; but when the dollar amounts are going up considerably because of inflation and the Defense Department, because of a change in direction, we better make sure that the percentages at least keep pace with what they actually were. In fact, it would be better if they improve, if we are going to continue to be successful in our program, so that is a serious concern of mine.

Mr. Carmen, it is my understanding that in 1980, GSA distributed LSA zip code information to various Federal agencies; is that correct?

Mr. **Madison**. Yes; at one time FEMA and the Department of Labor jointly published a ZIP code listing. The process included the following: Department of Labor would publish the area trends of high unemployment. FEMA would then match the labor trends against the U.S. Post Office ZIP code listing, and generate either computerized tape and/or hard copy listing which GSA then made available to the Federal agencies, State and local governments, and commercial concerns. Responsibility for all this was transferred to us in fiscal year 1981. FEMA and the Department of Labor agreed to cover the costs of that for this fiscal year inasmuch as that was not a budgeted item for GSA for this year.

We are in the process of trying to identify funds to make that magnetic tape and ZIP code listings available, since it has been a good tool for both State and local governments, large businesses and small businesses and other agencies. We are hopeful that we will come up with the money to cover the costs in the very near future.

Mr. LaFalce. This transfer was supposed to take place for fiscal year 1981 starting October 1.

Mr. Madison. The transfer took place in October 1980, but keep in mind the budget was in place prior to that time.

Mr. LaFalce. OK, but this ZIP code information, is it essential?

Mr. Madison. Critical, sir.

Mr. LaFalce. If it is essential information, as I believe that it is, are we not undermining the entire LSA program, if we are not disseminating this information on a timely basis?

Mr. Carmen. We agree with the committee on this. This is one of the things we have just started to get into $40,000 is almost insignificant in the total budget that we have, or that any other agency has, and this is the kind of thing, the kind of frustration that I share with the committee. We are going to try to overcome it by using good judgment to get things done that have to be done.

Mr. LaFalce. OK, Mr. Carmen, I appreciate that.

I would like a report from you within a reasonable period of time as to what we are doing to cope with that. I would say no later than a month or so, that certainly should be resolved.

What efforts is GSA undertaking to substantiate the subcontracting claims of its prime contractors? Is random verification of these claims a factor in subsequent procurement contracts?

Mr. Madison. I am not sure I understand the question, sir.

Mr. LaFalce. All right, there are certain obligations that prime contractors have under 507?

Mr. Madison. Absolutely.

Mr. LaFalce. How are you substantiating the subcontracting claims of the primes?

Mr. Madison. Well, as other agencies, we are somewhat at a handicap with the absence of the standard forms prescribed for subcontract data collection. We have not gone through a complete contracting cycle as yet. While we do receive limited data under the optional form 61, we do review that data and work with SBA to insure that compliance is in fact taking place.

Mr. LaFalce. Is there some way that you actually go out and verify these claims, even on a random basis? Is GSA actually getting involved, or do you defer to SBA?

Mr. Madison. We do not necessarily defer. We expect them to fulfill their obligation in the compliance area. However, our quality assurance people and small business technical representatives do on occasion take a look at the records maintained at the prime contractor's facilities to compare goals against actual accomplishments.

Mr. **LaFalce**. Has any type of report ever come in to GSA regarding verification of claims or analysis of the claims of the primes regarding the subcontracts?

Mr. **Madison**. Yes; SBA has on occasion shared with me subcontracting report information.

Mr. **LaFalce**. Would you care to comment on the quality, the content of those investigations? Are you finding that your primes are overstating the case or are fairly accurate?

Mr. **Madison**. Well, in most of the conversations that I have had with both the subcontracting people in the field, as well as the primes, they are doing fairly well. In fact, if I might elaborate a little, what we have found is that in the early stages of trying to negotiate an acceptable subcontracting plan into the prime contracts, was that in many instances the old definition of subcontract was literally being used, rather than the one that Public Law 95-507 envisioned which is more general in a sense, and offers greater subcontracting opportunities. The new definition was just not being utilized. Now that the intent of the statute has been clarified, things have improved.

Mr. **LaFalce**. Well, it seems to me that we do need a little closer scrutiny to the claims, and I do not know that there is any organized way of monitoring implementation.

I just have the feeling from your testimony right now that you have a feel for things, but I do not know that it is any better than that.

Now, it seems to me that you might want to use adherence to the plans as a factor in determining subsequent procurement contracts. It also seems to me that you might want to take the lead perhaps, being a lead agency, in utilizing incentives which are permitted under Public Law 95-507 for adherence to 507's requirements? Has the staff of your office of small and disadvantaged business within GSA recently been cut?

Mr. **Madison**. Let me respond this way. It was my understanding at the beginning of the fiscal year I was to have been authorized 12 people. As a result of budget cuts across the board, the numbers were reduced to eight full-time and one part-time employee.

Mr. **LaFalce**. From 12 to 8. How many did you have?

You say you were supposed to have 12. How many did you have?

Mr. **Madison**. I had 10 in fiscal year 1980.

Mr. **LaFalce**. You did have 12 that were authorized for fiscal year 1981?

Mr. **Madison**. I hoped to have 12 authorized, although it never really came about.

Mr. **LaFalce**. Now in fiscal year 1981 you have got eight, and for fiscal year 1982 you have authorization for eight; is that correct?

Mr. **Madison**. Yes; eight full-time and one part-time staff assistant.

Mr. **LaFalce**. Well, it is difficult to give specific criticisms without seeing the whole, I know. I do not know what you have done elsewhere in GSA, and I suppose I would have to have that information before I could say perhaps GSA is not as oriented to small and disadvantaged business as they should be, but we have had a third cut, and I am wondering if you have had a third cut in all your other departments or agencies or bureaus or offices. Have you had a third cut?

Mr. **Carmen**. No; we have not had a third cut, and I do not believe that office was ever up to 12. I think they were up as high as 10 and went back down to 8. We are looking at every department, especially in the general management area. I do not think you can really—maybe you can in Government, I really do not know this—say that going from 10 to 8 or 12 to 8 really would be a true measure of how we look at his particular job. I think you will find that he will be closer to the administrator than he has ever been, and the administration will be very much involved in its efforts to help small business.

Mr. **LaFalce**. Mr. Carmen, if you give me a choice between an administrator committed to a program with 8 people and an administrator who is not committed with 50 people, I will take the 8 and the commitment from the administrator.

Mr. **Carmen**. I am saying that is the kind of enthusiasm we are taking on.

Mr. **LaFalce**. It is certainly not conclusive proof of anything, but it is something that I think we will have to insure that these 8 people at least do the work of the 12 that they were authorized to do, so we will be looking at that work effort.

Mr. **Carmen**. I have a feeling if we had less regulations and less laws and more enthusiasm, we could probably get the job done.

Mr. **LaFalce**. Now, what was the most recent meeting of the LSA committee?

Mr. **Madison**. April 8, 1981.

Mr. **LaFalce**. When was the meeting before that?

Mr. **Madison**. August of the previous year.

Mr. **LaFalce**. We have had almost 1 year go by before the LSA committee met, correct?

Mr. **Madison**. Keep in mind, sir, we were going through a transition period and there were a number of people being moved around, and——

Mr. **LaFalce**. Well, there was no transition from August through January 20, and you were around during that entire period of time, although Mr. Carmen was not.

Mr. **Madison**. OK; one other thing. Until Public Law 96-302 was passed, we were not even sure that the LSA was going to stay on the books.

Mr. **LaFalce**. So long as the LSA was on the books, you had an obligation to pursue it vigorously.

Mr. **Madison**. I want you to understand, sir, the fact that we did not have meetings does not mean that we were not in constant communication with the agencies. We did that on a continuing basis.

Mr. **LaFalce**. One of the problems with the LSA program has been the lateness in the establishment of the goals, in addition to not rigorous enough oversight regarding its implementation.

Will we have goals for fiscal year 1982 early on?

Mr. **Madison**. We certainly will, just as we did in fiscal year 1981.

Mr. **LaFalce**. OK.

What has GSA done to provide a comprehensive listing of LSA firms to procurement officers?

Mr. MADISON. I was a part of the task force that the OFPP established some time ago.

We have a computerized mailing list system which shows the prospective bidder's mailing address and a code as to whether or not the firm is large, small, minority, women-owned business, or located in LSA.

We made that tape available to SBA, and they matched it against their PASS system, and even made a recommendation that the OFPP and other agencies consider tapping our system or at least developing a system similar to ours which would enable them to inquire and get a mailable printout of all firms that had LSA mailing list addresses.

OFPP considered it, but a decision was made for the short term that we would stick with the PASS system, and we would talk about long-range plans at a later date.

Mr. LAFALCE. Can you describe to me again the system that you advocated that was rejected by whom, OFPP?

Mr. MADISON. I wrote a very detailed paper recommending things that OFPP might want to consider; this included a proposal which could be designed to piggyback on the system that is used in the Federal Supply Service of GSA.

Mr. LAFALCE. OFPP testified before you, and they didn't even seem to realize that they had responsibility for this program, much less a voice in determining how the list of LSA firms would be provided procurement officers. They didn't mention GSA.

They said, oh, SBA is involved in that.

Mr. MADISON. We have a very sophisticated system, and by pushing a button on the computer, we can pull out every firm that is located in our system, and there must be some 80,000, which have been identified as to whether they are small, minority-owned or whatever, so I thought that might be a good idea.

Some of the task force members indicated some agencies didn't have the capability that we have.

Mr. LAFALCE. This subcommittee would like a copy of whatever you said, by way of a memorandum or a letter.

Mr. MADISON. I sent a proposed draft letter to OFPP for them to distribute under their signature inasmuch as they have the responsibility for recommending to the President a plan of action for meeting the Government's LSA source list needs.

Mr. LAFALCE. Send me a copy of the draft. Did OFPP ever respond to your draft in writing?

Mr. MADISON. Not in writing, but I did have a couple of meetings with them.

Mr. LAFALCE. Who are the individuals from OFPP?

Mr. MADISON. Mr. Haugh, and Mr. Birnbaum, and others.

Mr. LAFALCE. Well, this subcommittee would like a copy of that draft, and this subcommittee will submit the written opinion of OFPP regarding it.

Mr. MADISON. OK.

[Information referred to above follows:]

GSA PROPOSED LETTER TO OFPP CONCERNING THE USE OF GSA's MECHANIZED SOURCE (ZIP CODE) LISTS

TO THE HEADS OF SELECTED DEPARTMENTS AND AGENCIES

SUBJECT: OFPP Interagency Task Group on Labor Surplus Area Procurement

As I indicated in my letter of July 31, 1980, the interim report on the Labor Surplus Area Procurement Program, which was submitted by the President to the Congress on July 22, 1980, states, in part, that: "Contracting officers do not have sufficient information about eligible contractors to make the LSA program work successfully. Therefore, the Office of Federal Procurement Policy (OFPP) will form a task group of agencies including but not limited to the Departments of Commerce (DOC) and Defense (DOD), the General Services Administration (GSA), and the Small Business Administration (SBA) to study the source list problem and do the following: (a) inventory all existing source lists for all socioeconomic procurement programs and determine their capability for supporting these programs; (b) determine the Government's source list needs in addition to those which are already being used; and (c) forward to the President within 90 days from the date of this interim report recommendations and a plan of action for meeting the Government's source list needs."

Accordingly, an Interagency Task Group on labor Surplus Area Procurement was formed by OFPP to develop source lists of labor surplus area concerns. The first meeting of this Group was held on August 12, 1980.

The Task Force has inventoried existing source lists being used by each of the participating agencies, and based on a presentation given by Bill Madison (OSDBU - GSA) during the Group's second meeting on September 8, 1980, it appears that the Federal Supply Service of the General Services Administration has made great strides in the development and use of a Centralized Computerized Bidders Mailing List System. The attached documents describe GSA's Bidders Mailing List System and its capabilities, identifies applicable forms and their use, and articulates related operating procedures.

The BML system. The BML system is centrally administered by the GSA Centralized Mailing Lists Services Branch (8BRC) located in Denver, Colorado (Region 8). All actions related to the establishment and maintenance of the BML are processed by 8BRC. Each week 8BRC furnishes updated BML tapes to all of GSA's regional Data Systems Divisions.

(1) Additions and changes to the BML.

(i) Additions or changes to the master BML may be made upon receipt of a written request from a prospective bidder.

(ii) After receipt of bids or offers, procuring activities submit GSA Form 3038, (Attachment 1) Bidder's Mailing List Application Code Sheet, to 8BRC for each bidder or offeror not previously listed on the BML.

(iii) Upon receipt of GSA Form 3038, 8BRC adds the new prospective bidder to the BML and mails a BML application to the firm. (Attachment 2)

(2) Deletions from BML.

(i) Written request by a firm on the BML. A firm may be deleted from the BML based on a written request from the firms or on other written evidence that supports the removal. However, the design of the BML system does not permit deletion of specific commodities or services for a specific geographic area. For example, if the firm XYZ is listed on the BML as a supplier of commodities A, B, and C to GSA's Regions 1, 2, 7, and 10, deletions can only be made vertically or horizontally. In other words, the firm may request deletion of all Region 2 codes (2A, 2B, 2C) or all of mailing list code B (1B, 2B, 7B, 10B), but not for one element of Region 2, such as 2B only. Written requests for deletion received by Business Service Centers or a procuring activity shall be forwarded to 8BRC without delay. The specific mailing list code from which the firm is to be deleted shall be clearly specified.

(ii) Undeliverable mail. 8BRC takes deletion action when notified that mail is undeliverable. Procuring activities notify 8BRC by forwarding that portion of the self-mailer or envelope which contains the mailing label and the post office notation.

(iii) Debarment of a firm. 8BRC deletes a firm from the BML when such firm is listed in an Interim Notice of Debarred Firms issued by GSA's Office of Investigations.

(iv) Failure to respond to a solicitation. When a firm fails to respond formally or informally to a solicitation, the procuring activity having national buying responsibility for the commodity and/or service shall request 8BRC to delete the firm.

o BML applications.

(1) The BML application set consists of the following forms:

(i) Standard Form 129, Bidder's Mailing List Application (Attachment 3);

(ii) GSA Form 1382, List of Commodities and Services (Attachment 4);

(iii) GSA Form 2459, Bidder's Mailing List Instructions (Attachment 5); and

(iv) GSA Form 3038, Bidder's Mailing List Application Code Sheet (Attachment 6).

(2) When an application is received by a procuring activity or a Business Service Center of the GSA, it is forwarded promptly to 8BRC. Requests for application forms and BML information are referred to the nearest Business Service Center (BSC). Written requests from prospective bidders to change their listing shall be promptly forwarded to 8BRC. Prospective bidders appearing in person at other than a BSC to request initial listing or a change in their listing normally shall be referred to the local BSC.

(3) GSA activities needing data from the 8BRC files shall submit a request in writing to 8BRC. Telephonic requests are normally avoided but may be made if the information is urgently needed.

(4) Upon receipt of GSA Form 3038, 8BRC adds the prospective bidder to the BML and mails a BML application to the firm.

o BML codes for commodities.

(1) BML applicants must indicate mailing list codes for the commodities they wish to sell to the Federal Supply Service, GSA, on GSA Form 3038, Bidder's Mailing List Application Code Sheet. Applicants may refer to GSA Form 1382, List of Commodities and Services, for a listing of items procured by FSS.

(2) The BML codes for commodities consist of a four-digit Federal supply class number plus a mailing list code number. The mailing list codes break Federal supply classes into smaller groups of specific commodities. This ensures that solicitations will be mailed only to interested sources.

(3) The Office of Operations Control (FCO) establishes new mailing list codes for commodities as well as services and revises as appropriate GSA Forms 1382 and 3038. Revisions, suggestions, and requests for new mailing list codes are directed to FCO.

o BML codes for services.

(1) The coding system for services is based on the Standard Industrial Classification Manual. Services are listed on the last page of GSA Form 1382, List of Commodities and Services. The BML codes consist of the three-digit standard industrial group code preceded by a slashed zero (0) plus a mailing list code number.

(2) When a new service is to be procured repetitively, the procuring activity shall request a new mailing list code from the Office of Operations Control (FCO), furnishing a list of potential sources. FCO shall notify all procuring activities and Business Service Centers of the new code by an amendment or revision to GSA Form 1382, and shall instruct 8BRC to add the code and potential bidders to the BML.

o Requesting printouts of BML's.

(1) To obtain BML printouts, GSA Form 2439, Bidder's Mailing List Selection Request, is prepared and submitted in duplicate to the local Data Systems Division of GSA.

(2) The entries on GSA Form 2439 are self-explanatory except as follows:

(i) All zeros must be slashed (0).

(ii) Block 7.

(A) The procuring activity enters the GSA region number(s) to indicate where delivery points are located. "0" is used for Region 10, Auburn, Washington. If delivery to all regions is required and the solicitation calls for a single nationwide f.o.b. destination price per item, blocks 1 through 10 are left blank and "A" is entered under block A. If delivery is for all regions but the solicitation allows for separate individual f.o.b. destination prices per item, the requested enters the appropriate region number in blocks 1 through 10; bidders who have indicated they can deliver to all regions will automatically be included on the list. "E" is entered in block E to obtain a listing of firms which have indicated interest in bidding for contracts involving deliveries to other countries.

(B) The system is so designed to enable the requesting activity the flexibility of indicating the mailing list coverage desired for various business types. Code 14 is for small minority business, code 15 for small nonminority business, code 34 for minority other than small business, and code 35 for nonminority other than small business. This code is placed below the box labeled "card code".

(iii) Block 8. In 8a, enter the applicable Federal supply class (FSC) (for commodities) or standard industries group number (SIG) (for services). In 8b, enter the applicable mailing list codes from GSA Form 1382 directly under the FSC or SIG code involved. Mailing list codes with less than three digits shall be preceded by slashed zeros (0). If the FSC's or SIG's exceed the available spaces, use additional copies of GSA Form 2439. Each addition form must contain the same identification number in block 6 and be securely fastened to the initial copy. If a complete list of prospective bidders under a FSC or SIG is needed, the FSC or SIG number is inserted in block 8a, and block 8b zero filled.

(iv) Block 9. This block is checked when a mailing list is required for information purposes only. One copy of the alphabetical BML will be received. If the block is not checked, four copies of a ZIP code sequence printout and one alphabetical printout will be received.

(v) Blocks 10 and 11. Blocks 10 and 11 are for the use of the Data Systems Divisions. Accordingly, requesting activities must leave these blocks blank.

(f) Bidders mailing list printouts.

(1) The printout comes in five copies, listed in two different sequences. One copy lists the addressees in alphabetical order and is to be retained in the procurement case file. The other four list the addressees alphabetically in ZIP code sequence. The original of the latter type is cut into address labels and shall not be folded or have the perforated edges detached. The other ZIP code sequence copies are for mailing any amendments or change notices, and serve as an excellent tool for GSA contracting officials in determining whether or not a firm's mailing address is located in a Labor Surplus Area. This is accomplished by comparing the ZIP code on the label to the "Labor Surplus Zip Code Reference By State and County" directory published by the Federal Emergency Management Agency (FEMA).

(2) Following are some explanations of data on the printouts.

(i) Printout identification number. This number is the first eight digits on the first line of each address label.

(ii) Bidder's classification. To the right of the printout identification number and between asterisks is a two-digit bidder's classification code. There are four codes:

(A) Code 14, minority small business;

(B) Code 15, nonminority small business;

(C) Code 34, minority other than small business; and

(D) Code 35, nonminority other than small business.

(iii) Bidder's identification number. The last 12 digits on the first line of the address label are assigned by SBRC for bidder identification purposes.

(iv) Other printout data. The last page of the ZIP code sequence printout shows the date of the printout, commodity class/service group, mailing list codes included in the printout, total label count, and total copy count.

Bill Madison has matched the FEMA ZIP code list magnetic tape with GSA's BML. The output resulted in a list of all firms on GSA's BML who are (a) minority small business; (b) nonminority small business; (c) minority other than small buisness; and (d) nonminority other than small buisness, and are located in an LSA by Commodity Class and/or Industrial Group(s).

GSA and SBA are reviewing the feasibility of loading GSA's BML into the PASS System.

In the interim, agencies should consider developing a system similar to the one described above or request a one-time specific hard copy printout of a particular FSC and/or SIG.

Your comments should be presented at the next meeting of the Interagency Task Force scheduled for ________.

Drafted and submitted to Leroy Haugh and Owen Birnbaum by Bill Madison, GSA.

BIDDER'S MAILING LIST INSTRUCTIONS

Careful attention to this notice and the instructions on each form will enable us to quickly process your application. For additional information contact the Business Service Center serving your area (see below).

1. NEW APPLICANTS

a. Complete Standard Form 129, Bidder's Mailing List Application, as instructed on reverse side, disregarding the instruction on filing with "each procurement office". **Leave item 8 blank. Sign in lower right corner.**

b. Complete front of enclosed GSA Form 3038, Bidder's Mailing List Application Code Sheet, as applicable. Indicate **"Area(s) of Interest"**, **Business Size, and Minority Information. Check the applicable box in upper left indicating reason for submission of this form. Sign in upper right box.**

c. Review the enclosed GSA Form 1382, List of Commodities and Services, and any amendments, to identify items for which you are interested in receiving solicitations.

d. Complete the inside of the GSA Form 3038 using the four-digit class(es) and applicable mailing list code(s) shown in the GSA Form 1382. Sign and date the form.

e. Return the signed originals only; insert the SF 129 in the GSA Form 3038; fold, staple and stamp the reverse and send it to the address indicated on the latter form.

f. Retain for your files: GSA Form 1382 and any amendments; copy of SF 129; and a copy of the GSA Form 3038.

2. REQUESTS TO CHANGE AN APPLICATION ALREADY ON FILE

Complete the GSA Form 3038, Bidder's Mailing List Application Code Sheet as follows, checking the applicable box in the upper left to indicate the reason for submission. *Sign* it and fold, staple and *stamp* the reverse.

a. **Name and/or address change.** Complete all items except "Area of Interest" on the front of the form. Do not annotate inside of form.

b. **Add and/or delete mailing list codes.** Complete all items on the front of GSA Form 3038 except "Area of Interest". Indicate on the inside the Federal Supply Class and Mailing List Code(s) that you wish added or deleted, using "A" or "D" as appropriate in the asterisked (*) column.

c. **Add and/or delete Area of Interest.** Complete all items on the front of the GSA Form 3038. Check the area to which your firm can make deliveries and compete for contracts.

d. **Change in Business Size/Minority data.** Check the appropriate box in each section.

e. **Completely delete.** Complete the top of the GSA Form 3038 and write the following statement inside: "Remove completely from the Bidder's Mailing List."

3. MOST COMMON ERRORS

a. Failure to sign *both* the Standard Form 129 *and* the GSA Form 3038.

b. Failure to submit *both* the Standard Form 129 *and* the GSA Form 3038.

c. Failure to include Mailing List Codes in the GSA Form 3038; each commodity *must* have a class and code.

4. MOST COMMON QUESTION AREAS

a. Firms with subsidiaries. File the application in the name of the organization that will submit the bids.

b. Titles/names. Company names/titles should be used, not those of an individual employee.

c. Contact your Business Service Center for assistance in the following areas:
  (1). Inability to find commodity/service in the GSA Form 1382. (Codes cannot be inserted for unlisted items).
  (2). Telecommunications and ADP Supplies/Equipment. Contracting in this area is done by GSA's Automated Data and Telecommunications Service which has its own mailing list. Certain items previously handled by Federal Supply Service are being transferred to ADTS; check any GSA Form 1382 amendments.
  (3). Uncertainty about the appropriate category for your firm under Business Size/Minority Data.

BUSINESS SERVICE CENTERS

REGION 1
(CT ME MA NH RI VT)
John W McCormack PO & Cthse
Boston, MA 02109
617-223-2868

REGION 2
(NY NJ PR VI)
26 Federal Plaza
New York, NY 10007
212-264-1234

REGION 3
(DC MD VA WV)
7th & D Sts SW
Washington, DC 20407
202-472-1804

REGION 3 (cont)
(PA DE)
600 Arch St
Philadelphia, PA 19106
215-597-9613

REGION 4
(NC SC TN MS AL GA FL KY)
1776 Peachtree St NW
Atlanta, GA 30309
404-881-4661

REGION 5
(IL WI MI IN OH MN)
230 S Dearborn St
Chicago, IL 60604
312-353-5383

REGION 6
(KS IA MO NE)
1500 E Bannister Rd
Kansas City, MO 64131
816-926-7203

REGION 7
(AR LA NM OK TX)
819 Taylor St
Fort Worth, TX 76102
817-334-3284

REGION 7 (cont)
(Gulf Coast Brownsville
to New Orleans)
FOB Cthse, 515 Rusk St
Houston, TX 77002
713-226-5787

REGION 8
(CO WY MT UT ND SD)
Building 41
Denver Federal Ctr
Denver, CO 80225
303-234-2216

REGION 9
(No. CA, HI, NV-exc.
Clark County)
525 Market St
S Francisco, CA 94105
415-556-2122

REGION 9 (cont)
(AZ, So. CA.
Clark Cty NV)
300 N Los Angeles St
Los Angeles, CA 90012
213-688-3210

REGION 10
(WA OR ID AK)
440 Federal Bldg
915 Second Ave
Seattle, WA 98174
206-442-5556

GENERAL SERVICES ADMINISTRATION

GSA FORM 2459 (REV. 2-79)

BIDDER'S MAILING LIST APPLICATION

☐ INITIAL APPLICATION
☐ REVISION

FORM APPROVED OMB NO.
29-R0069

Fill in all spaces. Insert "NA" in blocks not applicable. Type or print all entries. See reverse for instructions.

TO (*Enter name and address of Federal agency to which form is submitted. Include ZIP Code*)
General Services Administration, Centralized Mailing List Services,
Building 41, Denver Federal Center, Denver, Colorado 80225

DATE

1. APPLICANT'S NAME AND ADDRESS (*Include county and ZIP Code*)

2. ADDRESS (*Include county and ZIP Code*) TO WHICH SOLICITATIONS ARE TO BE MAILED (*If different from item 1*)

3. TYPE OF ORGANIZATION (*Check one*)

☐ INDIVIDUAL ☐ PARTNERSHIP ☐ NON-PROFIT ORGANIZATION
☐ CORPORATION, INCORPORATED UNDER THE LAWS OF THE STATE OF

4. HOW LONG IN PRESENT BUSINESS

5. NAMES OF OFFICERS, OWNERS, OR PARTNERS

PRESIDENT
VICE PRESIDENT
SECRETARY
TREASURER
OWNERS OR PARTNERS

6. AFFILIATES OF APPLICANT (*Names, locations and nature of affiliation. See definition on reverse*)

7. PERSONS AUTHORIZED TO SIGN BIDS, OFFERS, AND CONTRACTS IN YOUR NAME (*Indicate if agent*)

NAME	OFFICIAL CAPACITY	TEL. NO. (*Incl. area code*)

8. IDENTIFY EQUIPMENT, SUPPLIES, MATERIALS, AND/OR SERVICES ON WHICH YOU DESIRE TO BID (*See attached Federal agency's supplemental listing and instructions, if any*)

9. TYPE OF OWNERSHIP (*See definitions on reverse*)

☐ MINORITY BUSINESS ENTERPRISE ☐ OTHER THAN MINORITY BUSINESS ENTERPRISE

10. TYPE OF BUSINESS (*See definitions on reverse*)

☐ MANUFACTURER OR PRODUCER ☐ REGULAR DEALER (*Type 1*) ☐ REGULAR DEALER (*Type 2*)
☐ SERVICE ESTABLISHMENT ☐ CONSTRUCTION CONCERN ☐ RESEARCH AND DEVELOPMENT FIRM
☐ SURPLUS DEALER (*Check this box if you are also a dealer in surplus goods*)

11. SIZE OF BUSINESS (*See definitions on reverse*)

☐ SMALL BUSINESS CONCERN* ☐ OTHER THAN SMALL BUSINESS CONCERN

**If you are a small business concern, fill in (a) and (b):*

(a) AVERAGE NUMBER OF EMPLOYEES (*Including affiliates*) FOR FOUR PRECEDING CALENDAR QUARTERS

(b) AVERAGE ANNUAL SALES OR RECEIPTS FOR PRECEDING THREE FISCAL YEARS

12. FLOOR SPACE (*Square feet*)

MANUFACTURING
WAREHOUSE

13. NET WORTH

DATE
AMOUNT

14. SECURITY CLEARANCE (*If applicable, check highest clearance authorized*)

FOR	TOP SECRET	SECRET	CONFIDENTIAL	NAMES OF AGENCIES WHICH GRANTED SECURITY CLEARANCES (*Include dates*)
KEY PERSONNEL				
PLANT ONLY				

THIS SPACE FOR USE BY THE GOVERNMENT

CERTIFICATION

I certify that information supplied herein (*Including all pages attached*) is correct and that neither the applicant nor any person (*Or concern*) in any connection with the applicant as a principal or officer, so far as is known, is now debarred or otherwise declared ineligible by any agency of the Federal Government from bidding for furnishing materials, supplies, or services to the Government or any agency thereof.

SIGNATURE

NAME AND TITLE OF PERSON AUTHORIZED TO SIGN (*Type or print*)

129-105 ~01

STANDARD FORM 129 (REV. 2-77)
Prescribed by GSA, FPR (41 CFR) 1-16.802

INFORMATION AND INSTRUCTIONS

Persons or concerns wishing to be added to a particular agency's bidder's mailing list for supplies or services shall file this properly completed and certified Bidder's Mailing List Application, together with such other lists as may be attached to this application form, with each procurement office of the Federal agency with which they desire to do business. If a Federal agency has attached a Supplemental Commodity List with instructions, complete the application as instructed. Otherwise, identify in item 8 the equipment, supplies and/or services on which you desire to bid. The application shall be submitted and signed by the principal as distinguished from an agent, however constituted.

After placement on the bidder's mailing list of an agency, a supplier's failure to respond (*submission of bid, or notice in writing, that you are unable to bid on that particular transaction but wish to remain on the active bidder's mailing list for that particular item*) to Invitations for Bids will be understood by the agency to indicate lack of interest and concurrence in the removal of the supplier's name from the purchasing activity's bidder's mailing list for the items concerned.

DEFINITION RELATING TO TYPE OF OWNERSHIP
(*See item 9*)

Minority business enterprise. A minority business enterprise is defined as a "business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members." For the purpose of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American-Aleuts.

TYPE OF BUSINESS DEFINITIONS
(*See item 10*)

a. Manufacturer or producer—means a person (or concern) owning, operating, or maintaining a store, warehouse, or other establishment that produces, on the premises, the materials, supplies, articles, or equipment of the general character of those listed in item 8, or in the Federal Agency's Supplemental Commodity List, if attached.

b. Regular dealer (Type 1)—means a person (or concern) who owns, operates, or maintains a store, warehouse, or other establishment in which the materials, supplies, articles, or equipment of the general character listed in item 8 or in the Federal Agency's Supplemental Commodity List, if attached, are bought, kept in stock, and sold to the public in the usual course of business.

c. Regular dealer (Type 2)—in the case of supplies of particular kinds (*at present, petroleum, lumber and timber products, machine tools, raw cotton, green coffee, hay, grain, feed, or straw, agricultural liming materials, tea, raw or unmanufactured cotton linters*). **Reguler dealer**—means a person (or concern) satisfying the requirements of the regulations (Code of Federal Regulations, Title 41, 50-201.101(b)) as amended from time to time, prescribed by the Secretary of Labor under the Walsh-Healey Public Contracts Act (Title 41 U.S. Code 35–45). For coal dealers see Code of Federal Regulations, Title 41, 50–201.604(a).

d. Service establishment—means a concern (or person) which owns, operates, or maintains any type of business which is principally engaged in the furnishing of nonpersonal services, such as (*but not limited to*) repairing, cleaning, redecorating, or rental of personal property, including the furnishing of necessary repair parts or other supplies as part of the services performed.

e. Construction concern—means a concern (or person) engaged in construction, alteration or repair (including dredging, excavating, and painting) of buildings, structures, and other real property.

DEFINITIONS RELATING TO SIZE OF BUSINESS
(*See item 11*)

a. Small business concern—A small business concern for the purpose of Government procurement is a concern, including its affiliates, which is independently owned and operated, is not dominant in the field of operation in which it is bidding on Government contracts and can further quality under the criteria concerning number of employees, average annual receipts, or other criteria, as prescribed by the Small Business Administration. (See Code of Federal Regulations, Title 13, Part 121, as amended, which contains detailed industry definitions and related procedures.)

b. Affiliates—Business concerns are affiliates of each other when either directly or indirectly (i) one concern controls or has the power to control the other, or (ii) a third party controls or has the power to control both. In determining whether concerns are independently owned and operated and whether or not affiliation exists, consideration is given to all appropriate factors including common ownership, common management, and contractural relationship. (*See items 6 and 11.*)

c. Number of employees—In connection with the determination of small business status, "number of employees" means the average employment of any concern, including the employees of its domestic and foreign affiliates, based on the number of persons employed on a full-time, part-time, temporary, or other basis during each of the pay periods of the preceding 12 months. If a concern has not been in existence for 12 months, "number of employees" means the average employment of such concern and its affiliates during the period that such concern has been in existence based on the number of persons employed during each of the pay periods of the period that such concern has been in business. (*See item 11.*)

- **COMMERCE BUSINESS DAILY**—The Commerce Business Daily, published by the Department of Commerce, contains information concerning proposed procurements, sales, and contract awards. For further information concerning this publication, contact your local Commerce Field Office.

BIDDER'S MAILING LIST APPLICATION CODE SHEET

(Please type or print all entries)

FORM APPROVED OMB NO. 29-R0248

TO: *(Self mailer on back of form)*

General Services Administration (8FFS)
Centralized Mailing Lists Services
Building 41, Denver Federal Center
Denver, CO 80225

FROM: *(Name and address to which bidding forms are to be mailed) (Include ZIP Code)*

CHECK ONE OR MORE BOXES AS APPLICABLE

☐ NEW APPLICATION ☐ ADD MAILING CODES ☐ CHANGE IN BUSINESS MINORITY DATA
☐ NAME AND/OR ADDRESS CHANGE ☐ DELETE MAILING CODES

PREVIOUS NAME AND ADDRESS *(If changed)*

REQUESTED BY *(Typed or printed name)*

TITLE

SIGNATURE

DATE

REQUESTED AREAS OF INTEREST FOR BIDDING

Examine the various General Services Administration geographic areas below, and indicate in the appropriate blocks, areas to which your firm can make deliveries and compete for contracts. Complete only if new applicant or if you are changing/deleting an area.

CHECK (✓)	AREA SERVED	CHECK (✓)	AREA SERVED
	REGION 1 - Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont		REGION 2 - New Jersey, New York, Puerto Rico, Virgin Islands
	REGION 3 - Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia		REGION 4 - Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
	REGION 5 - Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin		REGION 6 - Iowa, Kansas, Missouri, Nebraska
	REGION 7 - Arkansas, Louisiana, New Mexico, Oklahoma, Texas		REGION 8 - Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming
	REGION 9 - Arizona, California, Hawaii, Nevada		REGION 10 - Alaska, Idaho, Oregon, Washington
	ALL AREAS *(Regions 1 through 10 except export)*		EXPORT *(To be checked by firms interested in bidding for contracts involving deliveries to other countries)*

BUSINESS SIZE

(Check either block (1) or (3).)

(1) ☐ Small business - A small business concern for the purpose of Government procurement is a concern, including its affiliates, which is independently owned and operated, is not dominant in the field of operation in which it is submitting offers on Government contracts, and can further qualify under the criteria concerning number of employees, average annual receipts, or other criteria, as prescribed by the Small Business Administration. *(See Code of Federal Regulations Title 13, Part 121, as amended, which contains detailed industry definitions and related procedures.)*

(3) ☐ Other than small business concern.

MINORITY INFORMATION

(Check either block (4) or (5).)

(4) ☐ Minority enterprise - A minority-owned business is a business, 50% of which is owned by minority group members, or, in cases of publicly-owned businesses, 51% of the stock of which is owned by minority group members. For purposes of this definition, the minority ethnic group include Negro, Mexican-American, Puerto Rican, Cuban, Oriental, American Indian, Aleut, and Eskimo.

(5) ☐ Non-minority

FOR GSA USE ONLY *(Do not write below this line)*

DOC. I.D.: 0 8 B

MAIL LIST NO.: 3 0 1

MONTH | DAY | YEAR

IDENTIFICATION NUMBER

NAME AND/OR STATISTICAL DATA ACTION: ☐ NEW ☐ CHANGE ☐ DELETE

STATISTICAL DATA

1	2	3	4	5

AREAS OF INTEREST

1	2	3	4	5	6	7	8	9	0	A	E

CARD NUMBER

1
2
3
4

STATE
ZIP CODE

GENERAL SERVICES ADMINISTRATION

GSA FORM 3038 PAGE 1 (6-77)

INSTRUCTIONS

In order to receive solicitations for the commodities/services which you provide, use the GSA Form 1382 "List of Commodities and Services" to enter the appropriate codes in the boxes below. Please exercise care in transcribing the correct numbers in sequence.

A. COMMODITIES: Find the FSC group number of the commodity in which you are interested in the index in the front of the GSA Form 1382. Within that group locate the 4-digit class and the Mailing List Code that corresponds to your commodity.

B. SERVICES: Locate the Standard Industrial Group in which you are interested in the listing on the last page of the GSA Form 1382. Within that group (4 digits, the first always a 0), locate the Mailing List Code that corresponds to your service.

C. ADDITIONS/DELETIONS: Complete all areas on the front of this form except Area of Interest. Indicate below the Class and/or Standard Industrial Group and applicable Mailing List Codes you are changing. Place an A (add) or D (delete) as appropriate in the asterisked (*) column. To be removed entirely from the Mailing List File, submit a request in writing to the address on the reverse of this form. If you are only changing name, address, area of interest or business size/minority data, do not annotate these 2 pages.

D. NEW APPLICANTS: Complete Standard Form 129 "Bidder's Mailing List Application" as indicated on the reverse of that form, disregarding the instruction on filing with "each procurement office". Leave item 8 blank. Attach original to completed original of this form. Fold, staple and stamp the back where indicated. Return originals only. Do NOT return the GSA Form 1382 booklet.

NEW BIDDER FOR NAILS	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE
		5315	4

CURRENT BIDDER ADDING RIVETS	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE
	A	5320	1

CURRENT BIDDER DELETINC VISUAL ARTS	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE
	D	0733	7

*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE

*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE	*	CLASS/ INDUSTRIAL GROUP	MAILING LIST CODE

Please Make Sure You Have:

1. Signed both the SF 129 (new applicants) and this form.
2. Attached the SF 129 (new applicants) to this form.
3. Placed a stamp in the space indicated below.
4. Retained the GSA Form 1382 booklet and a copy of the application(s) for your files.
5. CLINCHED STAPLE FOR MAILING.

(Fold here and staple below address) GSA FORM 3038 PAGE 4 (6-77)

NAME

ADDRESS

CITY AND STATE

PLACE STAMP HERE

GENERAL SERVICES ADMINISTRATION (8FFS)
Centralized Mailing List Services
Building 41, Denver Federal Center
Denver, CO 80225

List of Commodities and Services

This listing of services and articles of supply purchased by the Federal Supply Service, is provided primarily for use in connection with filing of mailing list applications.

General Services Administration
Federal Supply Service

GSA FORM 1382 (REV. 6-77)

ALPHABETICAL INDEX OF FSC GROUPS

Use this index to locate the FSC Group No. under which commodities are classified.
The FSC Group No. is the first two digits of t Federal Supply Class number.

Standard Industrial Group Classifications for services can be found on the last page

DESCRIPTION	GROUP NO.
Abrasives and Hardware	53
Adhesives, Sealers, Paints, and Brushes	80
Agricultural Machinery and Equipment	37
Agricultural Supplies	87
Air Conditioning, Refrigeration, and Air Circulating Equipment	41
Aircraft	15
Alarm and Signal Systems	63
Ammunition and Explosives	13
Apparel and Shoe Findings, Textiles, Leather Furs, and Flags	83
Appliances and Furnishings, Commercial and Household	72
Athletic and Recreation Equipment	78
Automated Data Processing Supplies and Equipment	70
Bearings	31
Books, Maps, and other Publications	76
Brushes, Paints, Sealers, and Adhesives	80
Building and Construction Materials	56
Chain, Cable, Rope and Fittings	40
Chemicals and Chemical Products	68
Cleaning Equipment and Supplies	79
Clothing, Individual Equipment and Insignia	84
Commercial and Household Furnishings and Appliances	72
Communications, Detection and Coherent Radiation Equipment	58
Compressors and Pumps	43
Construction and Building Materials	56
Construction, Mining, Excavating and Highway Maintenance Equipment	38
Containers, Packaging, and Packing Supplies	81
Crude Materials—Nonmetallic	94
Dental, Medical, and Veterinary Equipment and Supplies	65
Electric Wire and Power Distribution Equipment	61
Electrical and Electronic Equipment Components	59
Engine Accessories	29
Engines, Turbines and Components	28
Fabricated Materials—Nonmetallic	93
Fire Control Equipment	12
Fire Fighting, Rescue, and Safety Equipment	42
Flags, Tents, Textiles, Leather, Furs, Apparel and Shoe Findings	83
Food Preparation and Serving Equipment	73
Furnace, Steam Plant and Drying Equipment	44
Furnishings and Appliances, Household and Commercial	72
Furniture	71
Furs, Leather, Textiles, Apparel and Shoe Findings, Tents, and Flags	83
Ground Effect Vehicles, Motor Vehicles, Trailers, and Cycles	23

DESCRIPTION	GROUP NO.
Hand Tools	51
Hardware and Abrasives	53
Heating, Plumbing and Sanitation Equipment	45
Hose, Pipe, Tubing and Fittings	47
Household and Commercial Furnishings and Appliances	72
Individual Equipment, Clothing, and Insignia	84
Insignia, Individual Equipment, and Clothing	84
Instruments and Laboratory Equipment	66
Laboratory Equipment and Instruments	66
Lamps and Lighting Fixtures	62
Leather, Furs, Textiles, Apparel and Shoe Findings, Tents, and Flags	83
Lighting Fixtures and Lamps	62
Lumber, Millwork, Plywood, and Veneer	55
Maintenance and Repair Shop Equipment	49
Maps, Books, and other Publications	76
Materials Handling Equipment	39
Measuring Tools	52
Mechanical Power Transmission Equipment	30
Medical, Dental, and Veterinary Equipment and Supplies	65
Metal Bars, Sheets, and Shapes	95
Metalworking Machinery	34
Millwork, Lumber, Plywood, and Veneer	55
Minerals, Ores, and their Primary Products	96
Miscellaneous	99
Motor Vehicles, Trailers, and Cycles, Ground Effect Vehicles	23
Musical Instruments, Phonographs, and Home-Type Radios	77
Nonmetallic Crude Materials	94
Nonmetallic Fabricated Materials	93
Office Machines and Visible Record Equipment	74
Office Supplies and Devices	75
Ores, Minerals, and their *Primary* Products	96
Packaging, Packing, and Container Supplies	81
Paints, Brushes, Sealers, and Adhesives	80
Photographic Equipment	67
Phonographs, Musical Instruments, and Home-Type Radios	77
Pipe, Tubing, Hose and Fittings	47
Plywood, Lumber, Millwork, and Veneer	55
Plumbing, Heating and Sanitation Equipment	45
Power Distribution Equipment and Electric Wire	61
Prefabricated Structures and Scaffolding	54
Publications, Books, and Maps	76
Pumps and Compressors	43
Radios (Home-Type), Phonographs, and Musical Instruments	77

DESCRIPTION	GROUP NO.
Railway Equipment	22
Recreation and Athletic Equipment	78
Refrigeration, Air Conditioning, and Air Circulating Equipment	41
Repair Shop and Maintenance Equipment	49
Rope, Chain, Cable and Fittings	40
Safety, Fire Fighting, and Rescue Equipment	42
Sanitation, Plumbing and Heating Equipment	45
Sealers, Adhesives, Paints, and Brushes	80
Service and Trade Equipment	35
Serving and Food Preparation Equipment	73
Sewage Treatment, and Water Purification Equipment	46
Ship and Marine Equipment	20
Ships, Small Craft	19
Shoe and Apparel Findings, Textiles, Leather, Furs, Tents, and Flags	83
Signal and Alarm Systems	63
Signs, Jewelry, Smokers Articles, Miscellaneous	99
Special Industry Machinery	36
Steam Plant, Furnace and Drying Equipment	44
Subsistence	89
Tape, Cassette, Reel to Reel	77
Tape, Electronic Data Processing	70
Tape, Magnetic, Voice and Sound	58
Tape, Packaging	81
Tape, Pressure Sensitive, Adhesive	75
Tents, Flags, Textiles, Leather, Furs, Apparel and Shoe Findings	83
Textiles, Leather, Furs, Apparel and Shoe Findings, Tents, and Flags	83
Tires and Tubes	26
Toiletries	85
Tools, Hand	51
Tools, Measuring	52
Tractors	24
Trailers, Cycles, Motor Vehicles, Ground Effect Vehicles	23
Training Aids	69
Transmission Equipment, Mechanical Power	30
Trade and Service Equipment	35
Valves	48
Vehicular Equipment Components	25
Veterinary, Medical, and Dental Equipment and Supplies	65
Visible Record Equipment and Office Machines	74
Water Purification and Sewage Treatment Equipment	46
Weapons	10
Wire, Electric and Power Distribution Equipment	61
Woodworking Machinery and Equipment	32

Listed below are some of the commodities which are purchased by the Federal Supply Service, General Services Administration. Not all products are purchased regularly. If your product is not listed in one of the mailing list codes, or if you have a question, contact your Business Service Center.

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
		GROUP 10—WEAPONS
1005		**Guns through 30 mm.**
	1	Accessories for pistols, revolvers, rifles, and shotguns
	2	Cleaning equipment, small arms
	3	Pistols and revolvers
	4	Rifles
	5	Shotguns
1040		**Chemical weapons and equipment**
	1	Accessories, gas gun
	2	Cleaning equipment, gas gun
	3	Gun, gas, tear and sneezing
1095	1	**Miscellaneous weapons**
		GROUP 12—FIRE CONTROL EQUIPMENT
1210		**Fire control directors**
	1	Covers, fire control instrument
	2	Directors, anti-aircraft weapons
	3	Directors, fire control
1220		**Fire control, computing sights and devices**
	1	Boards, plotting, indirect fire
	2	Computers, ballistic and gun direction, and cases
	3	Controls, computer
	4	Drives, ballistics
	5	Fans, scale-protractor and graphical types, and cases
	6	Muzzle, position compensators
	7	Scales, graphical firing; cases, scales
		GROUP 13—AMMUNITIONS AND EXPLOSIVES
1305		**Ammunition through 30 mm.**
	1	Cartridges
1330		**Grenades**
	1	Grenades, smoke
	2	Grenades, tear gas
1350	1	**Underwater mine inert components**
1370		**Pyrotechnics**
	1	Fusees
	2	Highway flares
1375	1	**Demolition materials**
1376	1	**Bulk explosives**
1377	1	**Cartridge and propellant actuated devices and components**
1390	1	**Fuses and primers**
1395	1	**Miscellaneous ammunition**
		GROUP 15—AIRCRAFT: AND AIRFRAME STRUCTURAL COMPONENTS
1510	1	**Aircraft, fixed wing**
1520	1	**Aircraft, rotary wing**
		GROUP 19—SHIPS, SMALL CRAFT, PONTOONS, AND FLOATING DOCKS
1940		**Small craft**
	1	Boats, powered
	2	Boats, unpowered
1950	1	**Floating drydocks**
1990	1	**Miscellaneous vessels**
		GROUP 20—SHIP AND MARINE EQUIPMENT
2010		**Ship and boat propulsion components**
	1	Propelling units, outboard
	2	Propellers, parts, and assemblies
	3	Propeller shafts and assemblies
	4	Transmissions
2020		**Rigging and rigging gear**
	1	Booms
	2	Kingposts
	3	Lashing gear
	4	Masts
2030		**Deck machinery**
	1	Davits
	2	Hoist assemblies, anchor
	3	Steering gear
2040		**Marine hardware and hull items**
	1	Anchors
	2	Boom and mast fittings
	3	Hatches, manholes, portholes
	4	Ladders
	5	Oars and oarlocks
	6	Rope cleats
	7	Stanchions
2050	1	**Buoys**
2090		**Miscellaneous ship and marine equipment**
	1	Bailers
	2	Furnishings and furniture
	3	Ladders, chain, rope
	4	Sails
		GROUP 22—RAILWAY EQUIPMENT
2210	1	**Locomotives**
2220	1	**Rail cars**
2230	1	**Right-of-way construction and maintenance equipment, railroad**
2240	1	**Locomotive and rail car accessories and components**
2250	1	**Track materials, railroad**
		GROUP 23—GROUND EFFECT VEHICLES, MOTOR VEHICLES, TRAILERS, AND CYCLES
2310		**Passenger motor vehicles**
	1	Ambulances, auto and truck type
	2	Automobiles, sedan
	3	Buses
	4	Limousines
	5	Station wagons
2320		**Trucks and truck tractors**
	1	Heavy trucks, 17,000 GVW and over
	2	Light trucks, up to 10,000 GVW
	3	Medium trucks, over 10,000 GVW, less than 17,000 GVW
	4	Tractor trucks
2330		**Trailers**
	1	Refrigerator trailers
	2	Semitrailers, flat bed, low bed, stake, van
	3	Tank trailers
	4	Trailers, flatbed, low bed, stake, van
	5	Trailers, house
2340		**Motorcycles, motor scooters, and bicycles**
	1	Bicycles
	2	Motorcycles
	3	Motor scooters
	4	Over-snow vehicles
	5	Sidecars
	6	Tricycles
		GROUP 24—TRACTORS
2410		**Tractors, full track, low speed**
	1	Structural components, body, cab, frame
	2	Tractors, full tracked, low speed
2420		**Tractors, wheeled**
	1	Structural components, body, cab, frame
	2	Tractors, wheeled, agricultural
	3	Tractors, wheeled, industrial
		GROUP 25—VEHICULAR EQUIPMENT COMPONENTS
2510		**Vehicular cab, body, and frame structural components**
	1	Fenders
	2	Fifth wheel assemblies
	3	Springs and assemblies—coil, leaf
	4	Windows and assemblies
	5	Windshields and assemblies
2520		**Vehicular power transmission components**
	1	Axle assemblies
	2	Clutches, parts, assemblies
	3	Coolers, oil, fluid
	4	Differentials, parts, assemblies
	5	Torque converters
	6	Transmissions, hydraulic, mechanical
	7	Universal joints and parts kits
2530		**Vehicular brake, steering, axle, wheel and track components**
	1	Axles, nondriving, parts and assemblies
	2	Brakes, parts and assemblies, air, electric, hydraulic
	3	Steering gear, parts, and assemblies
	4	Track, parts, and assemblies
	5	Wheels, parts, and assemblies
2540		**Vehicular furniture and accessories**
	1	Air conditioning units, automotive
	2	Covers, body, cab, trailer
	3	Mirrors and assemblies
	4	Safety belts
	5	Shock absorbers
	6	Tire chains and repair kits
	7	Windshield wipers, parts and assemblies
2590		**Miscellaneous vehicular components**
	1	A-frames
	2	Blades, angledozer, bulldozer
	3	Booms
	4	Controls, parts and assemblies
	5	Cranes and hoists
	6	Horns and assemblies
	7	Trash container for holding and compactor unit
	8	Winches
		GROUP 26—TIRES AND TUBES
2610		**Tires and tubes, pneumatic except aircraft**
	1	Tires, pneumatic
	2	Tubes, inner

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
2620		**Tires and tubes, pneumatic, aircraft**
	1	Tires, pneumatic
	2	Tubes, inner
2630	1	**Tires, cushion and solid**
2640		**Tire rebuilding and tire and tube repair materials**
	1	Lubricant, tire and rim
	2	Patches and repair kits, inner tube
	3	Sealers, inflator/puncture
	4	Sealers, puncture
	5	Tire retreading materials
	6	Valves and cores
		GROUP 28—ENGINES, TURBINES AND COMPONENTS
2805		**Gasoline reciprocating engines, except aircraft, and components**
	1	Blocks and assemblies
	2	Connecting rod and piston assemblies
	3	Crankcase assemblies
	4	Crankshafts
	5	Cylinder heads and assemblies
	6	Engines, automotive, marine, stationary
	7	Oil pumps and assemblies
	8	Valve train assemblies and components
2810		**Gasoline reciprocating engines, aircraft and components**
	1	Blocks and assemblies
	2	Connecting rod and piston assemblies
	3	Crankcase assemblies
	4	Crankshafts
	5	Cylinder heads and assemblies
	6	Engines
	7	Oil pumps and assemblies
	8	Valve train assemblies and components
2815		**Diesel engines and components**
	1	Blocks and assemblies
	2	Connecting rods and piston assemblies
	3	Crankcase assemblies
	4	Crankshafts
	5	Cylinder heads and assemblies
	6	Engines, diesel, and semi-diesel
	7	Oil pumps and assemblies
	8	Valve train assemblies and components
2825	1	**Steam turbines and components**
2895	1	**Miscellaneous engines and components**
		GROUP 29—ENGINE ACCESSORIES
2910		**Engine fuel system components, nonaircraft**
	1	Carburetors and parts
	2	Filters and assemblies
	3	Fuel injection systems
	4	Lines and assemblies
	5	Tanks
	6	Water injection systems
2915		**Engine fuel system components, aircraft**
	1	Carburetors and carburetor parts
	2	Filters and filter assemblies
	3	Fuel control systems—jet engines, turbine engines
	4	Fuel injection systems
	5	Lines and line assemblies
	6	Tanks
	7	Water injection systems
2920		**Engine electrical system components, nonaircraft**
	1	Alternators and parts
	2	Cables and assembly sets
	3	Coils, ignition, magneto
	4	Distributors and parts
	5	Generators, parts, and regulators
	6	Magnetos and parts
	7	Plugs, gas turbine igniter, glow, spark
	8	Starters, parts and assemblies
	9	Switches and assemblies
2930		**Engine cooling system components, nonaircraft**
	1	Fans and assemblies
	2	Hoses and assemblies
	3	Pumps and parts
	4	Radiators and components
	5	Tanks
2940		**Engine air and oil filters, strainers, and cleaners: nonaircraft**
	1	Air filters, assemblies, and cartridges
	2	Oil filters, assemblies, and cartridges
	3	Oil strainers and assemblies
2950	1	**Turbo superchargers**
2990		**Miscellaneous engine accessories, nonaircraft**
	1	Air duct heaters
	2	Dynafocal suspension mounts
	3	Engine preheaters
	4	Exhaust pipes
	5	Governors and parts
	6	Mufflers, exhaust, intake
	7	Power takeoffs
	8	Push-pull control assemblies
	9	Starters (excludes electrical starters)
	10	Starter ropes
	11	Superchargers, engine driven
		GROUP 30—MECHANICAL POWER TRANSMISSION EQUIPMENT
3010		**Torque converters and speed changers**
	1	Actuators
	2	Clutches and clutch parts
	3	Couplings
	4	Gear assemblies
	5	Transmission and parts
	6	Universal joints and parts
3020		**Gears, pulleys, sprockets, and transmission chain**
	1	Chains and links
	2	Gears and sets
	3	Pulleys
	4	Sprockets
3030		**Belting, drive belts, fan belts, and accessories**
	1	Belts, air compressor, cog. drive, endless and flat
	2	Belts, round
	3	Belts V; V, adjustable link; V, matched set; drive; end. fan
	4	Belts, accessories
3040		**Miscellaneous power transmission equipment**
	1	Ball joints
	2	Brakes, assemblies, and parts
	3	Collars
	4	Shaft hangers
	5	Shafts and shafting
		GROUP 31—BEARINGS
3110		**Bearings, antifriction, unmounted**
	1	Ball bearings, all types
	2	Ball bearing accessories
	3	Balls, races
	4	Roller bearings and accessories
3120		**Bearings, plain, unmounted**
	1	Bearings plain, unmounted, all types
	2	Bearings, plain, unmounted, accessories
3130		**Bearings, mounted**
	1	Bearings, ball, mounted
	2	Bearings, units, mounted, ball, all types
	3	Bearings, units, mounted, plain, all types
	4	Bearing units, mounted, roller, all types
	5	Housings, bearing units, mounted, all types
	6	Bearings, mounted, accessories
		GROUP 32—WOODWORKING MACHINERY AND EQUIPMENT
3210		**Sawmill and planing mill machinery**
	1	Carriages, sawmill
	2	Edgers, sawmill
	3	Rolls, log deck, sawmill
	4	Sawmills, circular
3220		**Woodworking machines**
	1	Borers, radial arm, post mounted
	2	Boring machines, horizontal and vertical, woodworking
	3	Carving machines, woodworking
	4	Dowel machines
	5	Jointers, woodworking
	6	Lathes, veneer and woodworking
	7	Milling machines, universal, woodworking
	8	Mitering machines, woodworking
	9	Molders, woodworking
	10	Mortisers, all types
	11	Routing and boring machines, woodworking and core box
	12	Sanders, all types and accessories
	13	Saws, woodworking, all types and accessories
	14	Sawing machines, all types, and accessories
	15	Shapers, woodworking
	16	Shop equipment, woodworking
	17	Surfacers, woodworking
	18	Tenoners
	19	Trimmers, woodworking
	20	Woodworkers, universal
	21	Woodworking shops, trailer mounted
	22	Woodworking shop equipment
3230		**Tools and attachments for woodworking machinery**
	1	Bits, hollow chisel, multispur, and routing machine
	2	Blades, circular and jig saw, woodworking
	3	Chisels, mortising, hollow
	4	Collar-sets, spacing, circular saws
	5	Cutters, all types
	6	Dado heads
	7	Drums, sanding
	8	Face plates, woodworking, lathe
	9	Knives, jointer and surfacer, woodworking
	10	Tool and accessory kits, sawmill, circular
		GROUP 34—METALWORKING MACHINERY
3405		**Saws and filing machines**
	1	Contour machines, filing and sawing
	2	Cutoff machines, abrasive disk, metal cutting, abrasive wheel, travelling type

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	3	Cutoff machines, band, vertical, quenched arc
	4	Cutoff machines, other except metallurgical lab, specimen preparation type
	5	Cutoff machines, friction, circular; lathe type, pipe and tube, saw band, horizontal; saw band vertical; and saw band, circular
	6	Dressing machines, friction saw
	7	Filing and setting machines, saw blade, band, and circular
	8	Filing machines, band metal cutting, ram type, saw blade; saw blade, hack, band, and circular combination
	9	Retoothing machines, bandsaw
	10	Saws, band; cutoff; metal, slitting column; and, metal cutting
	11	Saws, circular blade, metal cutting
	12	Saws, hack, motor driven, and other power
	13	Saws and filers, jig, die making
	14	Sawing machines, band, metal cutting; hack, horizontal; and, hack, vertical
3408		**Machining centers and way-type machines**
	1	Machining centers
	2	Tool changing machines, automatic, multi-purpose
	3	Transfer machines, automatic
	4	Way-type machines, multiple station
	5	Way-type machines, single station
3410		**Electrical and ultrasonic erosion machines**
	1	Disintegrating machines, metal, electric arc
	2	Electrical discharge machines or electrodischarge machines
	3	Electrochemical machines
	4	Electroerosion machines
	5	Electrolytic machines
	6	Electrospark machines
	7	Grinding machines, electrolytic, and ultrasonic
	8	Spark erosion machines
	9	Ultrasonic machine tools
3413		**Drilling and tapping machines**
	1	Drill presses
	2	Drilling machines, back spot facing
	3	Drilling machines, deep hole; horizontal, and vertical
	4	Drilling machines, inverted spindle
	5	Drilling machines, layout
	6	Drilling machines, multiple spindle: adjustable joint, and fixed center, common power unit
	7	Drilling machines; radial; folding arm, and, sliding arm
	8	Drilling machines, upright
	9	Drilling-tapping machines, multiple spindle, except way-type
	10	Routing and drilling machines, radial, folding arm
	11	Tapping machines
3415		**Grinding machines**
	1	Buffers, bench type, w/drill chuck
	2	Buffers, grinder
	3	Grinders and buffers, bench type, and utility
	4	Grinding and cutting machines, drill steel shank
	5	Grinding machines
	6	Grindstones, mounted
	7	Guards, wheels, and shields, eye for grinding machines
3416		**Lathes**
	1	Lathes, automatic, between centers chucking, horizontal, and vertical
	2	Lathes, automatic, chucking, vertical and horizontal
	3	Lathes, bench
	4	Lathes, cartridge case
	5	Lathes, chucking, right angle
	6	Lathes, conehead, tool room
	7	Lathes, crankshaft
	8	Lathes, engine, all types
	9	Lathes, floor type, geared head, and variable speed
	10	Lathes, gap, engine, geared head
	11	Lathes, jewelers'
	12	Lathes, journal turning, industrial production type
	13	Lathes, metal spinning
	14	Lathes, industrial production type, railroad journal-axle, and wheel
	15	Lathes, relieving
	16	Lathes, shell
	17	Lathes, turret, all types
	18	Screw machines, automatic
3417		**Milling machines**
	1	Engraving machines, pantograph
	2	Milling machines, bed type, all types
	3	Milling machines, bench
	4	Milling machines, cam
	5	Milling machines, die sinking
	6	Milling machines, drum type
	7	Milling machines, engraving
	8	Milling machines, horizontal, all types
	9	Milling machines, knee type
	10	Milling machines, planer type, all types
	11	Milling machines, profiling, all types
	12	Milling machines, ram type, all types
	13	Milling machines, router
	14	Milling machines, tool and die
	15	Milling machines, turbine blade airfoil
	16	Milling machines, vertical
	17	Profiling and duplicating machines
	18	Routing machines
	19	Thread millers, automatic
3418		**Planers and shapes**
	1	Planers, all types
	2	Shapers, all types
	3	Slotting machines, hydraulic, vertical
3419		**Miscellaneous machine tools**
	1	Buffers and polishers, bench, and pedestal type
	2	Centering machines, single spindle
	3	Drives, reamer, with foot switch
	4	Grinding machines, belt, all types
	5	Grinding machines, cutlery, abrasive belt
	6	Gun rifling machines
	7	Honing machines, horizontal, and vertical
	8	Key duplicating machines
	9	Keyseating machines, reciprocating cutter
	10	Lapping machines, metalworking, high precision
	11	Lathes, floor type, burring, polishing, and magnetic
	12	Lathes, speed
	13	Reamer drives, utility
	14	Spindle centering machines, single
	15	Threading machines, pipe and bolt
3422		**Rolling mills and drawing machines**
	1	Band, bar and billet mills
	2	Billet coring and peeling machines
	3	Blooming mills
	4	Bull blocks, wire drawing
	5	Capstans, turks head
	6	Coil, boxes, cars, and ramps, rolling mill
	7	Coilers, rolling mill
	8	Cutoff machines, flying, rolling mill
	9	Die stringers wire mill
	10	Drawn benches, metal
	11	Drawing machines
	12	Milling machines, all types
	13	Wire drawing machines
3424		**Metal heat treating equipment**
	1	Cars, furnace chamber and transfer
	2	Forges, all types
	3	Furnaces, electric, all types
	4	Furnaces, gas fired, all types
	5	Furnaces, oil burning, all types
	6	Generators, controlled atmosphere, all types
	7	Heaters, induction, all types
	8	Quenching equipment and supplies
3426		**Metal finishing equipment**
	1	Anodes, all types
	2	Anodising equipment
	3	Baskets and barrels, electroplating
	4	Galvanizing equipment and supplies
	5	Oiling Equipment and supplies
	6	Phosphatising equipment and supplies
	7	Pickling equipment and supplies
	8	Plating equipment and supplies
	9	Tanks, hot dip, directly, and indirectly heated
	10	Tinning equipment
3431		**Electric arc welding equipment**
	1	Bonding machines, metalizing
	2	Welding machines, all types and kits
	3	Welding shops, trailer mounted
3432		**Electric resistance welding equipment**
	1	Brazing machines, band saw blade and brazers
	2	Brazing machines, electric resistance
	3	Welders, all types
3433		**Gas welding, heat cutting and metallizing equipment**
	1	Brazing and soldering sets
3439		**Miscellaneous welding, soldering, and brazing supplies and accessories**
	1	Bags, welding rods
	2	Brazing alloys, all types
	3	Carbon blocks, paste and rods
	4	Desoldering irons, electric
	5	Electrodes, cutting, all types
	6	Flux, all types
	7	Furnaces, soldering
	8	Heating units, soldering, all types
	9	Powder, welding
	10	Power units, soldering and brazing
	11	Rods, soldering, all types
	12	Solder, all types
	24	Solder, aluminum
	25	Solder, silver
	26	Solder, tin and lead
	13	Soldering irons, cartridge, non electric
	14	Soldering irons, all other types
	15	Tips, electric soldering iron
	16	Tips, nonelectric soldering iron
	17	Welding accessory kits, electric
	18	Welding electrodes, parts and accessories
	19	Welding rods, wires, electrodes
	20	Wire, spray gun, all types
	21	Wire, welding
	22	Torch kits, soldering, propane gas
3441		**Bending and forming machines**
	1	Benders, all types
	2	Brake machines, all types
	3	Forming machines, all types
3442	1	**Hydraulic and pneumatic presses, power driven**
3444	1	**Manual presses**
3445		**Punching and shearing machines**
	1	Shearing machines, all types
3450	1	**Machine tools, portable**
3455		**Cutting tools for machine tools**
	1	Blades, band saw
	2	Blades, hole saw
	3	Blades, power hacksaw
	4	Files, rotary
3460		**Machine tool accessories**
	1	Arbors, hole saw
	2	Vises, bench, and machine tools
	3	Wheels, abrasive

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
3465	1	**Production jigs, fixtures, templates**
3470	1	**Machine shop sets, kits, and outfits**
		GROUP 35—SERVICE AND TRADE EQUIPMENT
3510		**Laundry and dry cleaning equipment**
	1	Dry cleaning machinery
	2	Nets, laundry
	3	Pins, net, laundry
	4	Pressing machinery
	5	Washers and dryers, household
	6	Washers and dryers, commercial
3520	1	**Shoe repairing equipment**
3530		**Industrial sewing machine and mobile textile repair shops**
	1	Sewing machines, industrial, except shoe stitching
3540		**Wrapping and packaging machinery**
	1	Adhesive applying machine, label
	2	Baling presses, industrial
	3	Board terminals for wrapping machine
	4	Folding machines, box
	5	Heat sealing machines
	6	Measuring and cutting machines, paper
	7	Nailing machines, automatic
	8	Netting for meat wrapping machines
	9	Package sealing machines
	10	Reels, strapping coil
	11	Sealing irons, electric
	12	Sealers, steel strapping, hand
	13	Stapling machines, except office type
	14	Steel strapping machine
	15	Strapping and sealing kits, packaging
	16	Stretchers, steel strapping, hand
	17	Tables, packaging, commissary
	18	Tables, weighing and labeling, commissary
	19	Tensioner
	20	Trucks, hand, strapping, coil
	21	Tying machines, industrial, bag and bundle
	22	Wrapping machines, meat and produce
3550	1	**Vending and coin operated machines**
3590		**Miscellaneous service and trade equipment**
	1	Barber clippers and shears
	2	Barber cloths
	3	Barber kits
	4	Barber kit cases
	5	Barber chairs, except shipboard type
	6	Blades for barber clippers
	7	Presses, laminating, protective covering
	8	Trays, disinfecting, barber instruments
		GROUP 36—SPECIAL INDUSTRY MACHINERY
3605		**Food products machinery and equipment**
	1	Coffee roasting and grinding plants
	2	Flour handling plants
3610		**Printing, duplicating, and bookbinding equipment**
	1	Binding elements
	2	Binding machines, plastic and adhesive
	3	Cameras, copying, lithographic
	4	Cutting machines, paper
	5	Drilling machines, paper
	6	Duplicating machines, offset process, spirit process, stencil process, manual inking process
	7	Folding machines, crisscross
	8	Folding machines, creaser, and jogger
	9	Folding machines, electric
	10	Gathering machines, paper
	11	Gathering and stitching machine, bindery
	12	Lithographic solutions
	13	Masters, spirit duplication, thermal process
	14	Offset blankets, rubber
	15	Photocopying machines, electrostatic (Dry and wet process)
	16	Plates, lithographic printing (metal and metal laminate) (presensitized and unsensitized)
	17	Plates, lithographic printing, paper (unsensitized)
	18	Printing and dry developing machines (Diazo type)
	19	Printing and heat developing machines
	20	Printing machines—blueprint (revolving glass cylinder)
	21	Printing and moist developing machines (Diazo type)
	22	Printing presses, offset, web, roll fed
	23	Punching machines, paper
	24	Stitchers, paper, power operated
	25	Tables, plate opaquing, line up
3611	1	**Industrial marking machines**
3615		**Pulp and paper industries machinery**
	1	Paper shredding machines
	2	Pulping machines, paper
3620		**Rubber and plastics working machinery**
	1	Calendering machines
	2	Plasticators
	3	Splicing machinery
	4	Tread extruding machinery
	5	Vulcanizing machinery
3625		**Textile industries machinery**
	1	Button covering machines
	2	Cotton ginning machinery
	3	Lace machines
	4	Looms
	5	Pinking machines
	6	Racks and reels
3630		**Clay and concrete products industries machinery**
	1	Block making machinery and equipment, concrete
	2	Brickmaking machinery
	3	Concrete pipe from sets
	4	Potters' wheels
3635		**Crystal and glass industries machinery**
	1	Optical goods manufacturing machinery (excludes opthalmic machinery)
3640	1	**Tobacco manufacturing machinery**
3650	1	**Chemical and pharmaceutical products manufacturing machinery**
3655		**Gas generating and dispensing systems, fixed or mobile**
	1	Conversion and conversion-storage-charging units
	2	Generating and generating and charging units
	3	Recharging units
	4	Separators
	5	Storage and storage and charging units
3660	1	**Industrial size reduction machinery**
3680	1	**Foundry machinery, related equipment, and supplies**
3694	1	**Clean work stations, controlled environment, and related equipment**
3695		**Miscellaneous special industry machinery**
	1	Chainsaws
	2	Logging equipment
	3	Shoemaking machinery
		GROUP 37—AGRICULTURAL MACHINERY AND EQUIPMENT
3710		**Soil preparation equipment**
	1	Harrows
	2	Planting equipment
	3	Plows
3720		**Harvesting equipment**
	1	Cutters, feed
	2	Hayrakes
	3	Hullers
	4	Mowers
3730		**Dairy, poultry, and livestock equipment**
	1	Cattleguards
	2	Dairy equipment
	3	Shears, sheep, manually operated
3740		**Pest, disease, and frost control equipment**
	1	Fly swatters
	2	Fumigant atomizers
	3	Insect traps
	4	Insecticidal fog generators, dusters, and sprayers
	5	Rodent traps
3750		**Gardening implements and tools**
	1	Brush hooks
	2	Brush hook handles
	3	Cutters, whip
	4	Edger, lawn, electric powered
	5	Edger, lawn, gasoline powered
	6	Edgers, lawn, hand
	7	Forks, spading, hand
	8	Grass hooks
	9	Handles, fork
	10	Handles, hoe
	11	Handles, rake
	12	Hoes, garden
	13	Mowers, lawn, hand
	14	Mowers, lawn, power, reel type
	15	Mowers, lawn, power, rotary
	16	Rakes, garden, hand
	17	Rakes, lawn, hand
	18	Renovator, lawn
	19	Roller, lawn
	20	Scythe
	21	Shears, grass cutting
	22	Shears, hedge, hand
	23	Shears, pruning, (one hand)
	24	Shears, pruning, (2-hand lopping)
	25	Spades
	26	Spreader, loose material
	27	Sprinklers, lawn
	28	Trimmer, tree
3770		**Saddlery, harness, whips, and related animal furnishings**
	1	Bits, horse—Mule
	2	Bridles, harnesses, reins
	3	Cages, animal
	4	Dog chains, collars, harnesses, leashes
	5	Dog grooming supplies
	6	Horse grooming supplies
	7	Pad, pack saddle
	8	Saddles, riding, horse—Mule
	9	Saddle blankets and cloths
	10	Saddlebags, riding saddle
	11	Stirrups

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
		GROUP 38—CONSTRUCTION, MINING, EXCAVATING AND HIGHWAY MAINTENANCE EQUIPMENT
3805		**Earth moving and excavating equipment**
	1	Cutting edges
	2	Ditchers
	3	Graders
	4	Loaders
	5	Scrapers
	6	Special type earth and rock hauling trucks and trailers
	7	Structural components, body, cab, frame
3810		**Cranes and crane-shovels**
	1	Cranes, crawler mounted, truck mounted
	2	Crane-shovels, crawler mounted, truck mounted
	3	Structural components, body, cab, frame
3815		**Crane and crane-shovel attachments**
	1	Backhoes
	2	Booms and extensions
	3	Buckets
	4	Dippers
	5	Electromagnetic, lifting
	6	Fairleads
	7	Grapples
	8	Skull crackers
3820		**Mining, rock drilling, earth boring, and related equipment**
	1	Augers and bits
	2	Coal cutting and loading machines
	3	Crushing, screening, and washing units
	4	Pneumatic tool and compressor outfits
	5	Pulverizing equipment
	6	Rock and well drilling equipment
3825		**Road clearing and cleaning equipment**
	1	Burners, weed
	2	Cleaners, vacuum
	3	Marking machines, road
	4	Snow plows and removal equipment
	5	Sprinklers
	6	Sweepers
3830		**Truck and Tractor attachments**
	1	Angledozers and bulldozers
	2	Augers
	3	Backhoes
	4	Booms and extensions
	5	Cranes, except wrecker truck type
	6	Rippers
	7	Reels
	8	Rollers
	9	Snowplows
	10	Sweepers
3835		**Petroleum production and distribution equipment**
	1	Gas distribution equipment
	2	Pipeline assemblies
	3	Pumping equipment
3895		**Miscellaneous construction equipment**
	1	Aggregate feeders and storage bins
	2	Asphalt distributors, kettles and transfer equipment
	3	Cable lashing, lacing, reeling, and splicing equipment
	4	Heaters, bituminous material, concrete, road surface
	5	Mixers, bituminous material, concrete, mortar, plaster
	6	Pavers, bituminous, concrete
	7	Pile drivers
		GROUP 39—MATERIALS HANDLING EQUIPMENT
3910		**Conveyors**
	1	Conveyors, except infant, hospital, nursery, and storage racks laundry
3915	1	**Materials feeders**
3920		**Materials handling equipment nonself-propelled**
	1	Carts, general hauling
	2	Dollies
	3	Trucks, hand, adjustable
	4	Trucks, hand, lift
	5	Trucks, hand, shelf, general purpose
	6	Trucks, towveyor
	7	Wheelbarrows
3930		**Warehouse trucks and tractors, self-propelled**
	1	Cranes, forklift truck mounting
	2	Trucks, forklift
	3	Trucks, lift, platform
	4	Trucks, fork, reaching and tiering
3940		**Blocks, tackle, rigging, and slings**
	1	Clamps, beam, cargo lashing
3950		**Winches, hoists, cranes and derricks**
	1	Hoists, chain
	2	Hoists, wire rope
	3	Winches, drum, hand and power operated
	4	Windlasses
3960	1	**Elevators and escalators**
3990		**Miscellaneous materials handling equipment**
	1	Binders, load
	2	Pallets, wood, material handling
	3	Compacting unit, refuse stationary—industrial
		GROUP 40—ROPE, CHAIN, CABLE, AND FITTINGS
4010		**Chain and wire rope**
	1	Chain, metal
	2	Links, chain, all types
	3	Wire rope
	4	Chain, bead (for ball point pens)
4020		**Fiber rope, cordage, and twine**
	1	Cord, cotton
	2	Cord, parachute, nylon
	3	Cord, sash
	4	Rope, cotton
	5	Rope, manila
	6	Rope, synthetic
	7	Twine, cotton, seine
	8	Twine, cotton, wrapping
	9	Twine, jute
	10	Twine, linen
4030		**Fittings for rope, cable and chain**
	1	Hooks, all types
	2	Shackles, all types
	3	Swivels, all types
	4	Terminals, wire rope, all types
		GROUP 41—REFRIGERATION, AIR CONDITIONING, AND AIR CIRCULATING EQUIPMENT
4110		**Refrigeration equipment**
	1	Blast freezers
	2	Coolers, drinking water, electric
	3	Coolers, drinking water, nonmechanical
	4	Dispensers, drinking fountain
	5	Display case, mechanically refrigerated
	6	Environmental test chambers
	7	Ice making machines except carbon dioxide types
	8	Refrigeration units, mechanical
	9	Refrigerators, blood bank
	10	Refrigerators, chest freezer, mechanical, commercial
	11	Refrigerators, explosion proof, commercial
	12	Refrigerators, mechanical, bacteriological
	13	Refrigerators, mechanical, biological
	14	Refrigerators, undercounter
	15	Refrigerators, walk-in, mechanical
	16	Refrigerators and freezers, mechanical, commercial
	17	Refrigerators and freezers, mechanical, household
4120		**Air conditioning equipment**
	1	Air conditioners, floor mounted
	2	Air conditioners, window
	3	Central air conditioning systems
	4	Coolers, air, evaporative
4130		**Refrigeration and air conditioning components**
	1	Condensing units, refrigerating
	2	Filtering, rolls, air conditioning
	3	Filters, air conditioning, permanent and throw away
	4	Pads, filter, air cooler
4140		**Fans, air circulators, and blower equipment**
	1	Blower, air barrier
	2	Covers, electric fan
	3	Fans, circulating, ceiling
	4	Fans, circulating, desk
	5	Fans, circulating, pedestal and floor
	6	Fans, exhaust, nonindustrial
		GROUP 42—FIRE FIGHTING RESCUE AND SAFETY EQUIPMENT
4210		**Firefighting equipment**
	1	Brush fire trucks
	2	Charges, fire extinguishers, antifreeze (alkali-metal-salt)
	3	Charges, fire extinguisher, antifreeze (calcium chloride)
	4	Charges, fire extinguisher, foam
	5	Charges, fire extinguisher, soda and acid
	6	Clamps, hose
	7	Council tool
	8	Coupling, reducer
	9	Crash rescue trucks
	10	Crash trailers, fire fighting
	11	Crash trucks, fire fighting
	12	Cylinders, disposable type
	13	Dry chemicals, multipurpose phosphate
	14	Dry chemicals, potassium bicarbonate
	15	Dry chemicals, sodium bicarbonate
	16	Extinguishers, carbon dioxide
	17	Extinguishers, disposable cylinder type
	18	Extinguishers, dry chemical, stored pressure
	19	Extinguishers, dry chemical, cartridge operated
	20	Extinguishers, dry chemical, multipurpose, stored pressure

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	21	Extinguishers, dry chemicals, multi-purpose cartridge operated
	22	Extinguishers, dry chemical, 150 lb. wheeled
	23	Extinguishers, foam
	24	Extinguishers, water, antifreeze, stored pressure
	25	Extinguishers, water, cartridge operated
	26	Extinguishers, water, nonmetallic tank
	27	Extinguishers, water, pump tank
	28	Fire fighting trailers
	29	Fire fighting trucks
	30	Fire hose, cotton, rubber lined
	31	Fire hose, cotton-polyester
	32	Fire hose, linen, unlined
	33	Fire hose, couplings
	34	Fire hose, nozzles
	35	Gasoline line
	36	Hose, suction
	37	McLeod tool
	38	Nozzle
	39	Nozzle, back pack
	40	Strainer, suction
	41	Tip, nozzle
	42	Wye valve
4220		**Marine lifesaving and diving equipment**
	1	Divers' equipment, all types
	2	Life preservers, all types
4230		**Decontaminating and impregnating equipment**
	1	Decontaminating apparatus, all types
4240		**Safety and rescue equipment**
	1	Breathing apparatus, compressed air
	2	Descent control devices
	3	Faceshields, industrial
	4	Goggles, industrial, all types
	5	Headbands, sweat
	6	Helmets, welders'
	7	Masks, abrasive cleaning
	8	Masks, air line
	9	Masks, air filtering, disposable
	10	Masks, gas, all service
	11	Masks, riot control agent
	12	Pads, knee, industrial
	13	Respirators, chemical cartridge
	14	Respirators, filter pad
	15	Respirators, paint spray
	16	Respirators, canister type
	17	Shelter, fire
	18	Sound protectors, ear aural
	19	Spectacles, Industrial
		GROUP 43—PUMPS AND COMPRESSORS
4310		**Compressors and vacuum pumps**
	1	Compressors and components
	2	Vacuum pumps, reciprocating, rotary
4320		**Power and hand pumps**
	1	Air lift pumps
	2	Fittings, post
	3	Flammable liquid pumps
	4	Hand pumps
	5	Hydraulic motors, pumps, and rams
	6	Nozzle, back pack
	7	Pump, motor driven, back pack
	8	Pump, back pack
	9	Straps, back pack
	10	Tank, back pack
	11	Water distribution equipment and supply systems
4330		**Centrifugals, separators, and pressure and vacuum filters**
	1	Centrifugal oil clarifiers, purifiers, and separators
	2	Filters, elements and units
		GROUP 44—FURNACE, STEAM PLANT AND DRYING EQUIPMENT
4410		**Industrial boilers**
	1	Boilers, all types
	2	Heaters, water, all types
4420		**Heat exchangers and steam condensers**
	1	Condensers, all types
	2	Coolers, all types
	3	Heaters, all types
4430		**Industrial furnaces, kilns, lehrs and ovens**
	1	Furnace, metal melting, all types
	2	Ovens, thermal drying, all types
4440		**Driers, dehydrators and anhydrators**
	1	Dehumidifiers, all types
4460	1	**Air purification equipment**
		GROUP 45—PLUMBING, HEATING, AND SANITATION EQUIPMENT
4510		**Plumbing fixtures and accessories**
	1	Lavatories, bathtubs, water closets, urinals, showers, tubs, fountains, basins and components
	2	Faucets, drains, plugs, connections, traps, floats, nozzles, showerheads, valves and repair parts
	3	Bathroom accessories, dispensers and holders all types
4520		**Space heating equipment and domestic water heaters**
	1	Boilers, all types
	2	Dampers, stove pipe
	3	Elbows, stove pipe
	4	Heaters, all types
	5	Radiators, all types
	6	Registers, all types
	7	Stoves, all types
	8	Valves, air venting
	9	Water heaters
4530		**Fuel burning equipment units**
	1	Burners, all types
4540		**Miscellaneous plumbing, heating, and sanitation equipment**
	1	Heaters, Immersion, all types
	2	Garbage disposal machines, household
	3	Incinerators, security
	4	Trash compactor, household
		GROUP 46—WATER PURIFICATION AND SEWAGE TREATMENT EQUIPMENT
4610		**Water purification equipment**
	1	Water purification units, all types
4620	1	**Water distillation equipment, marine and industrial**
4630	1	**Sewage treatment equipment**
		GROUP 47—PIPE TUBING, HOSE, AND FITTINGS
4710		**Pipe and tube**
	1	Pipe, aluminum
	2	Pipe, steel
	3	Pipe, nonmetallic
	4	Tubing, copper
	5	Tubing, nonmetallic
4720		**Hose and tubing, flexible**
	1	Hose assemblies, all types
	2	Hose, back pack
	3	Hose, fire
	4	Hose, garden, plastic
	5	Hose, high pressure
	6	Hose, metallic, flexible
	7	Hose, water and garden, rubber
	8	Hose, all other types
	9	Tubing, all types
4730		**Fittings and specialties: hose, pipe, and tube**
	1	Adapters, all types
	2	Bushings
	3	Caps, all types
	4	Clamps, all types
	5	Connectors, all types
	6	Couplings, all types
	7	Crosses, all types
	8	Elbows, all types
	9	Flanges, all types
	10	Hose, soaker, plastic
	11	Laterals, all types
	12	Menders, hose
	13	Nipples, all types
	14	Nozzles, all types
	15	Nuts, all types
	16	Plugs, all types
	17	Reducers, all types
	18	Sleeves, all types
	20	Strainers, sediment
	21	Tees, all types
	22	Unions
		GROUP 48—VALVES
4810	1	**Valves, powered**
4820		**Valves, non powered**
	1	Cocks, all types
	2	Disks, all types
	3	Valves, automatic regulating, all types
	4	Valves, all types
		GROUP 49—MAINTENANCE AND REPAIR SHOP EQUIPMENT
4910		**Motor vehicle maintenance and repair shop specialized equipment**
	1	Grinding machines, all types
	2	Shop equipment, all types
	3	Stands, all types
	4	Testers, all types
	5	Vulcanizers, all types
4930	1	**Lubrication and fuel dispensing equipment**
4940		**Miscellaneous maintenance and repair shop specialized equipment**
	1	Car cleaning equipment
	2	Cleaners, all types
	3	Maintenance fixtures, all types
	4	Presses, all types
	5	Shop equipment, all types
	6	Tool sets, all types
	7	Vocational school shop equipment
		GROUP 51—HAND TOOLS
5110		**Hand tools, edged, non-powered**
	1	Adzes, axes, hatchets
	2	Blades, hacksaw
	3	Blades, saw (other than hacksaw)
	4	Borers, bung and tap, hand
	5	Braces, bit, ratchet and corner
	6	Broaches, machinists'
	7	Chisels, blacksmiths, boilermakers, brick, machinist

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	8	Chisels, gouges, draw knives, spoke shaves, woodworking
	9	Chisels, other
	10	Cleaners, piston ring groove, valve stem guide
	11	Cutoff and burring tools, blind rivet
	12	Cutters, bolt, cable, wire rope, rivet, strapping, blades
	13	Cutters, circle and hole for gaskets and washers
	14	Cutters, glass
	15	Cutters, pipe and tube
	16	Cutters, other
	17	Deburring tools
	18	Die stamps, figures, insignia, letters
	19	Drills, breast, hand, and spiral
	20	Drills, drilling machines, other and attachments
	21	Drills, masonry, hand
	22	Files, rasps, rifflers, American and Swiss
	23	Filers, piston ring groove reconditioning tool
	24	Filing guides, chain and handsaw
	25	Frames, saw
	26	Gimlets
	27	Gravers, hand; graver sets, turning and pivoting
	28	Grinders, inserted tool circular saw blade, portable
	29	Handles, axe
	30	Handles, for edged, nonpowered tools
	31	Knives, nonmagnetic and nonsparking
	32	Knives and blades, craftsman
	33	Knives and blades, utility
	34	Machetes
	35	Miter boxes
	36	Planes and blades
	37	Pliers and nippers, cutting
	38	Punches, cutting, punch and die knockout
	39	Reamers
	40	Refacers, various
	41	Rippers, slaters'
	42	Saws, hand, miter box
	43	Saws, other
	44	Scrapers, bearing, carbon, commutator, hand
	45	Scrapers, paint, wood, hand and blades
	46	Scrapers, other
	47	Scutches, bricklayers'
	48	Sharpeners
	49	Shears, bench
	50	Shears and scissors, general purpose
	51	Shears and snips, metal cutting
	52	Strippers, wire and cable
	53	Splitting tools
	54	Swaging and squaring tools
	55	Tools, aircraft, NOIBN*
	56	Tools, automotive, NOIBN*
	57	Tools, blacksmith, NOIBN*
	58	Tools, bricklayers and stone mason, NOIBN*
	59	Tools, carpenter's, NOIBN*
	60	Tools, cobbler's, NOIBN*
	61	Tools, copper and tinsmith's, NOIBN*
	62	Tools, repair, electric, portable, NOIBN*
	63	Tools, electrical and electronic repair, NOIBN*
	64	Tools, farrier, NOIBN*
	65	Tools, foundry, NOIBN*
	66	Tools, jeweler's and opticians, NOIBN*
	67	Tools, machinists, NOIBN*
	68	Tools, non-sparking, non-magnetic
	69	Tools, office machine repair, NOIBN*
	70	Tools, plumber's, NOIBN*
	71	Tools, pneumatic, portable, NOIBN*
	72	Tools, sheet metal working, NOIBN*
	73	Tools, woodworking, NOIBN*
	74	Trimmers
	75	Undercutters
5120		**Hand tools, nonedged, nonpowered**
	1	Anvils and accessories, blacksmith
	2	Anvils, sawmakers'
	3	Arbors and mandrels
	4	Augers, pipe, sewer, and water closet
	5	Augers, post hole and earth boring
	6	Awls, all types

*Not otherwise indicated by name

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	7	Bars, capstan, lifting, rivet and bucking
	8	Bars, all types except capstan, lifting, rivet, and bucking
	9	Benders, hand, bar, cable, conduit, pipe, rail, tube
	10	Bits, screwdriver (except socket wrench attachments)
	11	Blocks, bench, mechanics'
	12	Blocks, shaping and sharpening, rock drill
	13	Blocks, swage
	14	Blow torches, all types
	15	Blowers, plunger and rotary
	16	Bridles, wire stringing, communication lines
	17	Brush, wire (battery)
	18	Burnishers, contact
	19	Burnishers, paper
	20	Carriers, storage battery
	21	Calking irons, wood
	22	Calking tools, hand, plumbing
	23	Clamps, bar type and "C"
	24	Crimping tools, hand, electrical
	25	Connector, fixed jaw
	26	Dressers, abrasive and grinding wheel
	27	Drivers, armature wedge, bearing and bushing
	28	Drivers, channel glass
	29	Drivers, projectile unit
	30	Expanders, tube, roller
	31	Extractors, cotter pin
	32	Extractors, electron tubes, lamp
	33	Extractors, screw, pipe, drill guides
	34	Fasteners, all types and accessories
	35	Fids, hand and standing
	36	Finders, retrievers, magnetic; fingers, mechanical
	37	Fixture, track connecting, full tracked vehicle
	38	Flaring tool, tube
	39	Force cups
	40	Grinders, hand
	41	Grips, cable
	42	Guns, calking
	43	Guns, sealant, hand
	44	Hammers (all types except inserted face), and sledges, hand with fiberglass handles
	45	Hammers (all types except inserted face) and sledges, hand with wood handles
	46	Hammers (all types except inserted face) and sledges, handles with body and fender steel head
	47	Hammers, inserted face
	48	Handles, metal, all types for nonpowered, nonedged hand tools
	49	Handles, wood, all types for nonpowered, nonedged hand tools
	50	Hoes (asphalt and mortar mixing), hole diggers, rakes (asphalt), scoops, shovels, spades, and spoons
	51	Holders, sheet metal
	52	Hooks, all types and pike poles
	53	Hot line equipment
	54	Igniters, friction flint tips
	55	Insertion and removal tools, electronic and electric contact connectors
	56	Intrenching tools
	57	Jacks, hydraulic and mechanical
	58	Keys (wrench), socket head screw, hexagonal and spline type
	59	Knives, putty and scraping
	60	Lacers, belt, hand
	61	Mallets and mauls, all types
	62	Marlinespikes
	63	Mattocks and picks
	64	Mirrors, inspection
	65	Nail sets
	66	Needles, etching, lacing and sewing
	67	Palms, sewing
	68	Plates, bench and surface
	69	Pliers (except pliers for cutting only) and pincers
	70	Pots, glue, all types
	71	Pots and kettles, melting, solder and ladles, all types
	72	Presses, lead seal, hand
	73	Pulaski tools
	74	Pullers, fuse
	75	Pullers, mechanical, attachments and adapters

CLASS	MAILING CODE CODE	COMMODITY DESCRIPTION
	76	Pullers, nail, hammer type
	77	Punches and dies, knockout
	78	Punches, center, drive pin, drift pins, drills drift
	79	Punches, paper and leather
	80	Riveters, blind, hand and sets
	81	Screwdrivers, hand, all types (except jeweler's and optician's) and sets
	82	Screwdrivers, jeweler's and optician's and sets
	83	Scribers, machinists'
	84	Shovels
	85	Stretchers, steel strapping and wire
	86	Swaging tools, cable, conduit, and swaging tool kits
	87	Tackers, stapling and tacking, hand
	88	Tampers, hand for asphalt, concrete, dirt
	89	Tapes, fish, steel
	90	Tools, aircraft, NOIBN*
	91	Tools, alignment and adjusting, electronic equipment
	92	Tools, automotive, NOIBN*
	93	Tools, blacksmith's, NOIBN*
	94	Tools, bricklayer's and stone mason's, NOIBN*
	95	Tools, carpenter's NOIBN*
	96	Tools, cobbler's, NOIBN*
	97	Tools, copper and tinsmith's, NOIBN*
	98	Tools, foundry (forged), NOIBN*
	99	Tools, government furnished drawings
	100	Tools, helically coil inserters and extractors
	101	Tools, jeweler's and optician's, NOIBN*
	102	Tools, locking and adjusting
	103	Tools, machinists, NOIBN*
	104	Tools, non-sparking and non-magnetic
	105	Tools, office machine repair, NOIBN*
	106	Tools, plumber's, NOIBN*
	107	Tools, sheetmetal working, NOIBN*
	108	Tools, woodworking, NOIBN*
	109	Trowels, cement, mastic, molder's and plasterer's (including plasterer's hawks)
	110	Tuning wands
	111	Tweezers, craftsman's
	112	Vises, all types except pin
	113	Vises, pin
	114	Wedges, wood, all types
	115	Wedges, metal, all types
	116	Wrenches, adjustable, auto, crescent type and monkey
	117	Wrenches, adjustable, basin, pipe, and strap
	118	Wrenches, chain and clamp, plier and
	119	Vise type
	120	Wrenches, impact, hand
	121	Wrenches, box, combination and open end, all types and sets
	122	Wrenches, socket (handles, attachments, and sets)
	123	Wrenches, socket (handled), screwdriver grip (nut spinners)
	124	Wrenches, tire rim
	125	Wrenches, spanner
	126	Wrenches, tap and reamer
	127	Wrenches, torque
	128	Wrenches, special and miscellaneous
5130		**Hand tools, power driven**
	1	Bonnets and pads, buffing and polishing
	2	Brushes, rotary, fiber and wire
	3	Calking tools and chisels, powered
	4	Crimping tools, hydraulic, pneumatic or electric
	5	Drill attachments and accessories
	6	Drills and borers, electric, portable
	7	Drills and borers, pneumatic, portable
	8	Etchers, electric and pneumatic and accessories
	9	Flexible shaft machines and accessories
	10	Grinder attachments and accessories
	11	Grinders, electric
	12	Grinders, pneumatic
	13	Guns, sealant, powered
	14	Hammers and hammer drills, electric (does not include riveters)
	15	Hammers and hammer drills, pneumatic (does not include riveters)
	16	Honing units, abrasive stones

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	17	Nut runners and screwdrivers, powered
	18	Power tool attachments, NOIBN*
	19	Power tools, hydraulic and pneumatic
	20	Rivet sets and accessories for powered riveter
	21	Riveters, electric
	22	Riveters, pneumatic
	23	Rotary tools, electric and pneumatic
	24	Sanders and polishers, electric
	25	Sanders and polishers, pneumatic
	26	Saws, electric, portable
	27	Saws, pneumatic, portable
	28	Scrapers, chipping and scaling tools, powered
	29	Scrapers, chippers and scalers, blades, cutters and accessories
	30	Shavers and trimmers, rivet
	31	Shears, cutter and nibblers, metal and fibre cutting, powered
	32	Shears, cutter and nibbler attachments and accessories
	33	Tools, electric, NOIBN*
	34	Tools, powder actuated
	35	Tools, power, NOIBN*
	36	Tools, pneumatic, NOIBN*
	37	Wheels, abrasive, buffing and polishing
	38	Wrench, impact, attachments and accessories
	39	Wrenches, impact, electric
	40	Wrenches, impact, pneumatic
5133		**Drill bits counterborers, and countersinks, hand and machine**
	1	Bits, bit sets, brace bit extensions, cutter bit tips, cutters, expansive bit
	2	Counterborers, spot facers, cutters, countersore
	3	Countersinks, cutters, countersink
	4	Drills and sets, pivot, jewelers
	5	Drills, twist and metal blanks
	6	Gages, wood bit
5136		**Taps, dies, and collets: hand and machine**
	1	Chasers, thread
	2	Collets
	3	Dies, taps, thread cutters and thread restorers, die stocks
	4	Screw plate and tap kits, jewelers'
5140		**Tool and hardware boxes**
	1	Bags, belts, pouches and rolls, tool, fabric plastic
	2	Bags, belts, pouches and rolls, tool, leather
	3	Boxes, wood or metal, cases and chests, tool carriers, standard and to Government drawings
	4	Cases and stands, auger, drill bit and reamers
	5	Tool and equipment containers, NOIBN*
5180		**Sets, kits, and outfits of hand tools**
	1	Air conditioner tool kits
	2	Aircraft maintenance and repair kits and sets
	3	Alternator, battery and generator tool kits and sets
	4	Armament repair and maintenance tool kits
	5	Artillery repair and maintenance tool kits and sets
	6	Atomic and nuclear weapons tool kits and sets
	7	Auger kits, pipe and sewer, and sets
	8	Automatic telephone and teletype circuit repair tool kits and sets
	9	Automotive mechanic tool kits and sets
	10	Blacksmith and foundry tool kits and sets
	11	Brake maintenance tool kits
	12	Clamp tool kits, hose fabricator and repair
	13	Crimping tool kits and sets, wire
	14	Electrical and electronics tool kits and sets
	15	Engineer and pioneer tool kits and sets
	16	Erection kits and outfits, bolted storage tanks
	17	Gas turbine tool kits and sets
	18	Guided missile system tool kits and sets
	19	Instrument and clock repair tool kits and sets
	20	Medical and hospital equipment repair kits
	21	Musical instrument repair kits
	22	Pipeline construction tool kits
	23	Portable electrical tool kits
	24	Puller kits and sets
	25	Rocket mechanics and maintenance tool kits
	26	Threading sets, pipe and screw
	27	Tool kits, brazing and welding
	28	Tool kits, bricklayer, mason and concrete workers
	29	Tool kits, carpenters and woodworkers
	30	Tool kits, diesel engine repair
	31	Tool kits, fabric and leather workers
	32	Tool kits, gas and electric appliance repair
	33	Tool kits, marine hull and engine repair
	34	Tool kits, office machine repair
	35	Tool kits, on vehicle mounted
	36	Tool kits, painters and glaziers
	37	Tool kits, peculiar airborne combat equipment
	38	Tool kits, peculiar ground combat equipment (except individual weapons)
	39	Tool kits, peculiar marine combat equipment
	40	Tool kits, pipe and tubing fabrication
	41	Tool kits, sheet metalworkers
	42	Tool kits, threaded insert
	43	Tool kits, tire repair
	44	Tool sets, optical repair
	45	Tool kits for school vocational shop classes
		GROUP 52—MEASURING TOOLS
5210		**Measuring tools, craftsmen**
	1	Bevels, ship carpenters
	2	Bevels, sliding T
	3	Blocks, gage
	4	Calipers, inside and outside
	5	Calipers, micrometer
	6	Calipers, vernier
	7	Chalk lines and reels
	8	Dividers, mechanics'
	9	Gages, brake drum and wheel alignment
	10	Gages, crankshaft distortion
	11	Gages, depth, dial indicating or micrometer
	12	Gages, feeler
	13	Gages, fillet and radius
	14	Gages, government drawing modifications, fabricated to order
	15	Gages, internal measuring
	16	Gages and measuring tools, aircraft, fabricate to order
	17	Gages, planer
	18	Gages, rivet selector
	19	Gages, stick, fuel tank, wood or metal
	20	Gages, telephone plug
	21	Gages, thickness
	22	Gages, tire tread depth
	23	Indicators, dial, bases, attachments and accessories
	24	Levels, carpenters' and masons'
	25	Levels, cylindrical, circular vial
	26	Levels, [illegible]
	27	Levels, railroad track
	28	Plumb bobs
	29	Rules, circumference, multiple folding, steel, machinist
	30	Rules, glaziers, multiple folding wood, caliper
	31	Rules, log, board foot content
	32	Squares
	33	Straightedges
	34	Tapes
	35	Yardsticks, metal
	36	Yardsticks, wood
5220		**Inspection gages and precision layout tools**
	1	Gages, fixtures
	2	Gages, go and not-go, including plug, ring, snap, thread, and length
	3	Gages, profile
5280	1	**Measuring tool sets, kits and outfits**
		GROUP 53—HARDWARE AND ABRASIVES
5305		**Screws**
	1	Screws, all types
	2	Screw and nail assortments
	3	Screw and wrench assortments
5306		**Bolts**
	1	Bolts, all types
	2	Rods, continuous thread
	3	Rods, threaded
	4	Rods, threaded end
	5	Bolts, tee head
	6	Bolts, toggle
5307	1	**Studs**
5310		**Nuts and washers**
	1	Nuts, all types
	2	Washers, all types
5315		**Nails, keys, and pins**
	1	Brads, all types
	2	Fasteners, all types
	3	Keys, all types
	4	Nails, all types
	5	Pins, all types
	6	Spikes, all types
	7	Staples, all types
	8	Studs, drive, grooved
	9	Tacks, all types
5320	1	**Rivets**
5325		**Fastening devices**
	1	Eyelets, all types
	2	Fasteners, all types
	3	Grommets, all types
	4	Posts, all types
	5	Receptacles, all types
	6	Retainers, all types
	7	Zippers, slings
5330		**Packing and gasket materials**
	1	Gasket, contour
	2	Gasket materials, all types
	3	Packing materials, all types
	4	Seals, all types
	5	Tape, asbestos
	6	Washers, all types
5335		**Metal screening**
	1	Cloth, hardware
	2	Fabric, wire
	3	Wire cloth, industrial
	4	Wire cloth, screening
	5	Wire screen, insect
5340		**Miscellaneous hardware**
	1	Adapters
	2	Bolts
	3	Brackets
	4	Bumpers
	5	Bushings
	6	Buttons
	7	Caps
	8	Casket hardware
	9	Casters
	10	Catches
	11	Clamps
	12	Clips
	13	Corners
	14	Couplings
	15	Caps
	16	Deadlocks
	17	Door closers

*Not otherwise indicated by name

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	18	Escutcheons
	19	Fasteners
	20	Frames
	21	Half hinges
	22	Handles
	23	Handrails
	24	Hangers
	25	Hinges
	26	Holders
	27	Hooks
	28	Inserts
	29	Keepers
	30	Knobs
	31	Latches
	32	Levers
	33	Locks
	34	Lock sets
	35	Mounts
	36	Pads, shock mount
	37	Padlocks
	38	Patches
	39	Plates
	40	Plugs
	41	Pails
	42	Pulleys
	43	Receptacles
	44	Retainers
	45	Rings
	46	Rods
	47	Rubbers
	48	Saddles, pipe covering protection
	49	Seals
	50	Seats
	51	Shields
	52	Shims
	53	Shoes
	54	Snap hooks
	55	Spacers
	56	Springs
	57	Stays
	58	Straps
	59	Supports
	60	Turnbuckles
	61	Vent plugs, multiapplication
	62	Vibration absorbers and mounts, nonhydraulic
	63	Wheels
5345		**Disks and stones, abrasive**
	1	Belts, abrasive
	2	Disks, abrasive
	3	Stones, sharpening
5350		**Abrasive materials**
	1	Cloth, abrasive
	2	Emery cloth
	3	Emery grain
	4	Glass beads
	5	Grain, abrasive
	6	Grit
	7	Rouge
	8	Valve grinding compound
	9	Wool, steel
	10	Paper, abrasive
5355		**Knobs and pointers**
	1	Adjusters, meter pointer
	2	Bushing and coupling, shaft
	3	Covers and masks, dial, multiapplication
	4	Cursors, indicator
	5	Dials, controls and scale
	6	Extension shafts, except specially designed and shaft locks
	7	Knobs and knob holders
	8	Meter pointers adjusters
	9	Pointers, dial and pointer adjusters
	10	Shutters and dial, multiapplication
	11	Window, dial, multiapplication
		GROUP 54—PREFABRICATED STRUCTURES AND SCAFFOLDING
5410	1	**Prefabricated and portable buildings**
	2	Prefabricated panels
5420	1	**Bridges, fixed and floating**
5430	1	**Storage tanks**
5440	1	**Scaffolding equipment and concrete forms**
	2	Ladders, step, single and extension, metal
	3	Ladders, step, single and extension,
	4	Portable steps
	5	Scaffolding, steel and aluminum
	6	Shoes, ladder
	7	Shoring
	8	Work platforms
5445	1	**Prefabricated tower structures**
5450		**Miscellaneous prefabricated structures**
	1	Bleachers, portable
	2	Grandstands
	3	Latrine boxes, prefabricated
	4	Silos, wood
	5	Risers, rollaway, acoustical
		GROUP 55—LUMBER, MILLWORK, PLYWOOD, AND VENEER
5510		**Lumber and related basic wood materials**
	1	Hardwood
	2	Railroad crossties, poles and piling
	3	Softwood
	4	Stakes, wood
	5	Structural treated wood
	6	Wedge, timber
5520	1	**Millwork**
5530		**Plywood and veneer**
	1	Plywood, all types
		GROUP 56—CONSTRUCTION AND BUILDING MATERIALS
5610		**Mineral construction materials, bulk**
	1	Aggregate
	2	Asphalt paving and roofing, coal tar, asphalt petroleum compounds
	3	Cement, concrete
	4	Cinders
	5	Concrete additives and compounds
	6	Deck covering materials
	7	Gravel
	8	Lime, plaster, mortar
	9	Sand
	10	Stone, rough dimension
5620		**Building glass, tile, brick and block**
	1	Blocks, cinder
	2	Blocks, concrete
	3	Blocks, glass building
	4	Bricks, slag
	5	Concrete, slabs and grills
	6	Glass, structural
	7	Glass, window
	8	Tile, ceramic, floor and wall
	9	Terra cotta, architectural
5630		**Pipe and conduit, non metallic**
	1	Pipe and conduit, concrete
	2	Pipe and conduit, clay for underground use
	3	Drain tile
5640		**Wallboard, building paper, and thermal insulation materials**
	1	Building board, asbestos-cement
	2	Building board, hard pressed
	3	Cement, asbestos
	4	Cement, insulation
	5	Cement, low expansion
	6	Cloth, asbestos
	7	Insulation, thermal, vermiculite
	8	Insulation, blanket, thermal
	9	Insulation, block, thermal
	10	Insulation, board, thermal
	11	Insulation, felt, thermal
	12	Insulation, sleeving, thermal
	13	Insulation, tape, thermal
	14	Millboard, asbestos
	15	Paper, asbestos
	16	Paper, roofing
	17	Paper, sheathing, waterproof
	18	Pipe covering, all types
	19	Sound controlling, batt
	20	Sound controlling, blanket
	21	Sound controlling, block
	22	Sound controlling, board
	23	Tape, duct
	24	Tape, joint
	25	Wallboard, composition fiberboard insulating sheet and strip
	26	Wallboard, composition, laminated
	27	Wallboard, composition nonlaminated
	28	Wallboard, gypsum
5650		**Roofing and siding materials**
	1	Cloth impregnated
	2	Felt roofing and waterproofing asphalt saturated
	3	Felt roofing and waterproofing coal tar, saturated
	4	Roof coating, asphalt, (brushing consistency)
	5	Roofing, asphalt and asbestos, prepared
	6	Roofing, asphalt, prepared, mineral
	7	Roofing, metal
	8	Shingles, asphalt, prepared, mineral surfaced
	9	Shingles, wood
	10	Siding, asbestos cement
5660		**Fencing, fences and gates**
	1	Fence, snow
	2	Fence, wire, chain, link
	3	Fence, wire, welded
	4	Fence, wire woven
	5	Gates, wire fences
	6	Wire, barbed
	7	Fence, wood
	8	Gate, wood
	9	Posts, fence, steel
5670		**Architectural and related metal products**
	1	Door frames
	2	Doors metal
	3	Gratings
	4	Downspouts
	5	Gutters
	6	Window sash
5680	1	**Miscellaneous construction materials**
	2	Core material, cellular
	3	Lath, metal
	4	Metal, expanded
	5	Steel reinforcing bars
		GROUP 58—COMMUNICATIONS, DETECTION AND COHERENT RADIATION EQUIPMENT
5805	1	**Telephone and telegraph equipment**
5810	1	**Communications security equipment and components**
5815	1	**Teletype and facsimile equipment**
5820		**Radio and television communication equipment except airborne**

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	1	Radio equipment
	2	Tape, magnetic video and sound
	3	Telemetry equipment, except airborne
	4	Sound signal accessories and parts
	5	Sound signal apparatus
5821	1	**Radio and television communication equipment, airborne**
	2	Telemetry equipment, airborne
5825	1	**Radio navigation equipment, except airborne**
5830		**Intercommunication and public address systems, except airborne**
	1	Intercommunication equipment, wired or cabled
	2	Intercommunication equipment, wireless transmission
	3	Public address equipment, wired or cabled
	4	Public address equipment, wireless transmission
5835		**Sound recording and reproducing equipment**
	1	Recording and reproducing equipment
	2	Tape magnetic, standard and high resolution, sound and instrumentation
	3	Recording and record production
	4	Cassette, audio recording, magnetic tape
5840	1	**Radar equipment, except airborne**
5845	1	**Underwater sound equipment**
5850	1	**Visible and invisible light communications equipment**
5860	1	**Stimulated coherent radiation, devices, components, and accessories**
5895	1	**Miscellaneous communication equipment**
		GROUP 59—ELECTRICAL AND ELECTRONIC EQUIPMENT COMPONENTS
5905		**Resistors**
	1	Rheostats
5910	1	**Capacitors**
5915	1	**Filters and networks**
5920	1	**Fuses and lightning arrestors**
5925	1	**Circuit breakers**
5930	1	**Switches**
5935	1	**Connectors, electrical**
5940		**Lugs, terminals, and terminal strips**
	1	Clips, battery
	2	Clips, electrical
	3	Connectors, split bolt type
	4	Connectors, wire (wire nuts)
	5	Splices, conductor
	6	Terminals cable
5945	1	**Relays, contactors, and solenoids**
5950		**Coils and transformers**
	1	Transformers, industrial
	2	Transformers, small, radio and bell
5955	1	**Piezoelectric crystals**
5960		**Electron tubes and associated hardware**
	1	Tubes, amplifier and relay
	2	Tubes, electron and semi-conductors
5961		**Semiconductor devices and associated hardware**
	1	Photoelectric cells
	2	Semiconductor devices
	3	Transistors
5962	1	**Microelectronic circuit devices**
5965	1	**Headsets, handsets, microphones and speakers**
5970		**Electrical insulators and insulating materials**
	1	Friction tape
	2	Insulating materials, electric, asbestos, and Fibreboard
	3	Insulating materials, electric, mica and bakelite
	4	Insulation tape, electric
	5	Insulating varnish, electrical
5975		**Electrical hardware and supplies**
	1	Boxes, electrical
	2	Clamps, electrical
	3	Conduit fittings
	4	Conduits, non-metallic, rigid and flexible, electrical
	5	Conduits, metallic, rigid and flexible, electrical
	6	Plates, wall, electrical
	7	Poleline hardware materials
	8	Raceways and accessories
	9	Rods, ground
	10	Bends electrical conduit
	11	Strap, tiedown
	12	Bushings
	13	Lockout
5977	1	**Electrical contact brushes and electrodes**
5985	1	**Antennas, wave guides, and related equipment**
5990	1	**Synchros and resolvers**
5995	1	**Cable, cord, and wire assemblies: communications equipment**
5999	1	**Miscellaneous electrical and electronic components**
		GROUP 61—ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT
6105	1	**Motors, electrical**
6110	1	**Electrical control equipment**
6115	1	**Generators and generator sets, electrical**
6120		**Transformers: distribution and power station**
	1	Transformers, pole line
	2	Transformers, substation
6125	1	**Convertors, electrical, rotating**
6130		**Convertors, electrical, nonrotating**
	1	Chargers, battery
	2	Rectifiers and parts
6135		**Batteries, primary**
	1	Batteries, dry
	2	Batteries, wet
6140		**Batteries, secondary**
	1	Batteries, storage, automotive
	2	Batteries, storage, heavy duty, industrial
6145		**Wire and cable, electrical**
	1	Cable, multiconductor
	2	Cable, power and lighting
	3	Wire, electrical and communications equipment
	4	Wire, power and lighting
	5	Cable, telephone
6150		**Miscellaneous electric power and distribution equipment**
	1	Cable and conduit assemblies (over the floor type)
	2	Extension cords
		GROUP 62—LIGHTING FIXTURES AND LAMPS
6210		**Indoor and outdoor electric lighting fixtures**
	1	Fixtures, lighting, non-portable
	2	Guards, lamp
	3	Reflectors and shades, all types
	4	Stems, fixtures, lighting, fluorescent
6220	1	**Electric vehicular lights and fixtures**
6230		**Electric portable and hand lighting equipment**
	1	Flashlights, hand, railway lantern type
	2	Flashlights, hand, tubular
	3	Head lamps
	4	Lanterns, electric emergency (shipboard use)
	5	Lanterns, electric, hand
	6	Lights, desk, fluorescent and incandescent
	7	Lights, extension
	8	Lighting set, general illuminating emergency
	9	Lights, household and quarters, table and floor models
6240		**Electric lamps**
	1	Glow lamps
	2	Lamps, airport approach
	3	Lamps, electric, executive office
	4	Lamps, electric, hand
	5	Lamps, fluorescent
	6	Lamps, incandescent, aviation service
	7	Lamps, incandescent, floodlight and spotlight
	8	Lamps, incandescent, general lighting
	9	Lamps, high-intensity, mercury-vapor
	10	Lamps, miniature, and sealed beam automotive
	11	Lamps, miniature, and sealed beam non-automotive
	12	Lamps, miniature tungsten, filament, and telephone signal
	13	Lamps, motion picture and projection
	14	Lamps, photo flood and photo spot
	15	Lamps, photographic-laboratory
	16	Lamps, photographic sound reproducer
	17	Lamps, short arc
6250		**Ballasts, lampholders, and starters**
	1	Ballasts, fluorescent lamp
	2	Lampholders, caps and adapters
	3	Sockets, incandescent lamp and parts, all types
	4	Starters, fluorescent lamp
6260		**Nonelectric lighting fixtures**

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	1	Candles, illuminating
	2	Flare marker, oil burning
	3	Globes, lantern, all types
	4	Lanterns, cold and hot blast
	5	Lanterns, gasoline and kerosene
	6	Mantles, gasoline lantern
		GROUP 63—ALARM AND SIGNAL SYSTEMS
6310	1	**Traffic and transit signal systems**
6320	1	**Shipboard alarm and signal systems**
6330	1	**Railroad signal and warning devices**
6340	1	**Aircraft alarm and signal systems**
6350		**Miscellaneous alarm and signal systems**
	1	Alarm systems
	2	Buzzers, electric
	3	Horns and sirens, electric
	4	Light signal systems
	5	Sound signal accessories and parts
	6	Sound signal apparatus
		GROUP 65—MEDICAL, DENTAL AND VETERINARY EQUIPMENT AND SUPPLIES
6505		**Drugs, biologicals and official reagents**
	1	Alcohol, rubbing compound
	2	Anesthetics, dental, local
	3	Aspirin tablets, USP
	4	Medicinal gases
	5	Sodium chloride tablets, USP
6508	1	**Medicated cosmetics and toiletries**
6510		**Surgical dressing materials**
	1	Adhesive tape
	2	Bandages, adhesive, regular and plastic
	3	Bandages, cotton, plastic
	4	Bandages, gauze
	5	Bandages, muslin, triangular
	6	Compresses and bandages
	7	Cotton, absorbent, sterile
	8	Pads, sanitary
6515		**Medical and surgical instruments, equipment, and supplies**
	1	Audiometers
	2	Bacteria control floor mats
	3	Blades, surgical
	4	Blood transfusion and intravenous, apparatus, and accessories
	5	Catheters, tubes and related items
	6	Electro surgical units
	7	Gloves, medical and surgical (plastic and rubber)
	8	Medical diagnostic instruments
	9	Medical monitoring equipment
	10	Needles and syringes
	11	Respiration and resuscitator devices
	12	Splints
	13	Sutures
	14	Thermometers, clinical (fever)
	15	Thermometers, electronic
	16	Vision screening and testing equipment
	17	Other medical or surgical supplies
6520		**Dental instruments, equipment, and supplies**
	1	Cutting, grinding and polishing instruments and supplies
	2	Dental equipment, laboratory
	3	Dental equipment, operatory
	4	Dental materials, laboratory and related equipment
	5	Dental materials, operatory and related equipment
	6	Dental stools, and chairs
	7	Endodontic instruments and supplies
	8	Hand instruments
	9	Handpieces and accessories
	10	Orthodontic supplies
	11	Teeth, facings
6525		**X-ray equipment and supplies: medical, dental, veterinary**
	1	Dental x-ray apparatus and equipment
	2	Dental x-ray accessories and replacement parts
	3	Medical x-ray apparatus and equipment
	4	Medical x-ray accessories and replacement parts
	5	X-ray film processing and dark room equipment and supplies (does not include chemicals or film.)
6530		**Hospital furniture, equipment, utensils, and supplies**
	1	Cabinets, dental, medical and surgical
	2	Intermittent compression units and venous pressure gradient supports
	3	Physiotherapy equipment and patient aids
	4	Surgical drapes, liquid adhesive and dressings
	5	Wrappers, sterilization
	6	Sterilizers, all types
	7	Tables, patient examination, treatment and operating
	8	Wheel chairs
6532	1	**Hospital and surgical clothing and textile special purpose items**
6540	1	**Opticians' instruments, equipment, and supplies**
	2	Opthalmic lenses
6545		**Medical sets, kits, and outfits**
	1	Disposable sets, medical and surgical
	2	First aid kits, eye dressing
	3	First aid kits and refills, general purpose
	4	Snake bite kits
	5	Surgical instruments
		GROUP 66—INSTRUMENTS AND LABORATORY EQUIPMENT
6605		**Navigational instruments**
	1	Compass
	2	Crane, sounding weight
	3	Gaging cars
	4	Sounding machines, hand
6610	1	**Flight instruments**
6615	1	**Automatic pilot mechanisms and airborne gyro components**
6620	1	**Engine instruments**
6625		**Electrical and electronic properties measuring and testing instruments**
	1	Amplifiers and preamplifiers (signal conditioners) lab type
	2	Analyzers, audio and radio frequency
	3	Bridges, laboratory and portable types
	4	Counters, electronic frequency
	5	Data acquisition systems, including options
	6	Detector, radio frequency (test)
	7	Generators, electronic/oscillators
	8	Meters, all types
	9	Multimeters
	10	Oscillographs, general and special purpose
	11	Oscilloscopes, general and special, purpose
	12	Potentiometers, laboratory and portable types
	13	Power supplies, electronic
	14	Recorders, analog, potentiometric, strip and x-y
	15	Standards and calibrators
	16	Transducers
6630		**Chemical analysis instruments**
	1	Analyzers, clinical chemistry
	2	Bottles, culture
	3	Chambers, counting, blood cell
	4	Chromatographs, gas and liquid
	5	Chromatographs, thin layer
	6	Counters, blood cells
	7	Cups, reagent
	8	Dilutors, pipetting
	9	Holders, blood collecting tube
	10	Paper, pH indicator
	11	pH meters
	12	Readers, micro hematocrit
	13	Rotors, reaction
	14	Testers, antifreeze solutions
	15	Testers, battery electrolyte solution
	16	Tubes, blood collecting
	17	Tubes, capillary, blood sample
	18	Liquid scintillation systems
	19	Amino acid analyzers
	20	Chemical property detector
6635		**Physical properties testing equipment**
	1	Film, x-ray, industrial
	2	Physical property detector
6636	1	**Environmental chambers and related equipment**
6640		**Laboratory equipment and supplies**
	1	Baskets and racks, test tube
	2	Boxes, microscope slide
	3	Centrifuges
	4	Clamps
	5	Connectors, elastic tubing
	6	Cover glasses
	7	Fermentation apparatus
	8	Freeze drying equipment
	9	Pipet fillers
	10	Glassware
	11	Graphite and carbon products
	12	Homogenizer (tissue/cell/emulsion)
	13	Incubator, bacteriological
	14	Microtomes and cryostats
	15	Laboratory distillation and demineralizing systems
	16	Ovens, heaters, and furnaces, laboratory
	17	Paper, filter and lens
	18	Plastic and metal ware
	19	Plastic ware, sterile, disposable
	20	Porcelain ware
	21	Pumps, laboratory
	22	Scintillation vials and bottles
	23	Tetrafluoroethylene and rubberware
	24	Tissue processors
	25	Slides, microscope
	26	Stirrers and shaking machines
	27	Hoods fume laboratory
	28	Furniture, laboratory
	29	Waterbaths, laboratory
	30	Boxes, glove (safety enclosures)
	31	Washing machine, glassware, laboratory
6645		**Time measuring instruments**
	1	Clocks, alarm
	2	Clocks, wall, battery-operated
	3	Clocks, wall, electric
	4	Clocks, watchmen's portable

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	5	Recorders, time
	6	Stamps, time
	7	Stop watches and timers, laboratory and athletic
	8	Timers, interval
	9	Watches, wrist
6650		**Optical instruments**
	1	Binoculars
	2	Electron microscopes
	3	Magnifiers and reducing glasses
	4	Micro-projectors
	5	Micro probe analyzers
	6	Microscopes
	7	Photometers
	8	Spectrophotometers
	9	Stereoscopes
	10	Spectrometers
	11	System, image analysis
6655	1	**Geophysical and astronomical instruments**
6660		**Meteorological instruments and apparatus**
	1	Anemometers
	2	Barographs
	3	Barometers, aneroid
	4	Paper, graph, radiosonde
	5	Hygrothermographs
	6	Measuring sticks
	7	Precipitation gages, recording
	8	Precipitation gages, tipping bucket
	9	Psychrometers
	10	Rain gauges
	11	Recorders, temperature-humidity-rainfall
	12	Support, instrument
	13	Thermographs
	14	Thermometers, self indicating, liquid in glass
	15	Transmitters, wind direction, contacting
	16	Wind measuring systems, speed and direction
	17	Radiometers
6665	1	**Hazard-detecting instruments and apparatus**
6670		**Scales and balances**
	1	Balances, analytical
	2	Scales, laboratory, precision
	3	Scales, mail and parcel post
	4	Scales, person, weighing
6675		**Drafting, surveying, and mapping instruments**
	1	Alidades, surveying, telescope
	2	Altimeters, surveying
	3	Compasses, magnetic
	4	Distance measuring equipment, electronic
	5	Drafting instruments and equipment
	6	Drafting machines
	7	Reel, string
	8	Sketch kits, with portable drafting machines
	9	Surveying instruments and equipment
	10	Tables, drawing and tracing
6680		**Liquid and gas flow, liquid level, and mechanical motion measuring instruments**
	1	Counters, reciprocating
	2	Gages, liquid level, ware weight
	3	Indicators, water-stage
	4	Recorders, digital (hydrological)
	5	Recorders, flood hydrograph and liquid level
	6	Relay servo control units
	7	Wind meter
6685		**Pressure, temperature and humidity measuring and controlling instruments**
	1	Manometer-servo assembly and gas-purge accessories
	2	Pyrometers
6695		**Combination and miscellaneous instruments**
	1	Weights, sounding, water velocity
		GROUP 67—PHOTOGRAPHIC EQUIPMENT
6710	1	**Cameras, motion picture**
6720		**Cameras, still picture**
	1	Cameras, still picture
	2	Cameras, view, microfilm
	3	Identification cameras
6730		**Photographic projection equipment**
	1	Overhead projectors
	2	Projection sets, motion picture sound
	3	Projectors, film strip and slide
	4	Projectors, readers, and viewers, microfilm
	5	Screens, projection
	6	Visualizers, tracing and process camera
	7	Multi-media programmer
6740		**Photographic developing and finishing equipment**
	1	Developing and processing machines (film and paper)
	2	Film editing and cleaning machines
	3	Microfilm and paper processing machines
	4	Pollution abatement and chemical recovery equipment
	5	Printers, rewind and film splicing machines, microfilm
	6	Presses, dry mounting
	7	Printers, projection, photographic
	8	Silver recovery equipment
	9	Tanks, tables, and trays
6750		**Photographic supplies**
	1	Chemicals, preparations, developers, and fixers
	2	Cloth, backing, photographic
	3	Covers, lantern slide
	4	Dry mounting board and tissue, photographic
	5	Films, cut, direct positive roll, photographic aerial, motion picture, film roll, and sheet
	6	Films and papers, sensitized
	7	Lamps, photo flash
	8	Microfilm, supplies, and developing solutions
	9	Paper, brownprint and blueprint sensitized
	10	Paper, diffusion transfer
	11	Plates, lantern slide
6760		**Photographic equipment and accessories**
	1	Microfilm spools, reels, and cartons
	2	Photographic accessories, cases, lens, film cutters, meters, filters, caps, cans, reels
6770		**Film, processed**
	1	Microfilm library system
6780		**Photographic sets, kits, and outfits**
	1	Lights, portable, photographic professional type
	2	Photographic kits
		GROUP 68—CHEMICALS AND CHEMICAL PRODUCTS
6810		**Chemicals**
	1	Boiler feed-water compounds
	2	Chemicals, laundry and cleaning
	4	1,1,1-Trichloroethane, technical
	3	Sodium chloride
	5	Calcium chloride
6820	1	**Dyes**
6830		**Gases: compressed and liquified**
	1	Carbon dioxide, solid
	2	Dibromodifluoromethane
	3	Fuel gases, propane and butane
	4	Helium
	5	Acetylene, dissolved, technical
	6	Refrigerant gases and sulfur hexafluoride
	7	Air, compressed
	8	Ammonia, technical
	9	Carbon dioxide, technical, liquid
	10	Argon, technical
	11	Chlorine, technical
	12	Hydrogen, technical
	13	Nitrogen, technical
	14	Oxygen, technical
	15	Oxygen, aviator's breathing
6840		**Pest control agents and disinfectants**
	1	Disinfectants, germicidal and fungicidal
	2	Deodorants, general purpose
	3	Herbicides
	4	Insect repellent, clothing-personal application
	5	Insecticide, DDT
	6	Insecticide, pyrethrin
	7	Rodenticide
6850		**Miscellaneous chemical specialties**
	1	Antifogging compounds
	2	Anti-freeze
	3	Bleach, laundry
	4	Carbon removing compounds
	5	Cleaning compounds, aircraft surfaces
	6	Cleaning compounds, engine cooling system
	7	Cleaning compounds, windshield
	8	Compound, dust mop treating
	9	Deicing-defrosting fluid
	10	Desiccants
	10	Dry cleaning solvent
	11	Engine primer fuel
	12	Inhibitors, corrosion
	13	Penetrating fluid
	14	Polyphosphate, glass
	15	Specialty chemicals, automotive
		GROUP 69—TRAINING AIDS AND DEVICES
6910		**Training aids**
	1	Programmed learning material (including film)
	2	Reading machines
	3	Test scoring machines
	4	Vocational school aids
6920		**Armament training devices**
6930		**Operational training devices**
	1	Computer training devices
	2	Driver training simulators
	3	Electricity/electronic training devices
	4	Industrial/mechanical training devices
	5	Medical models and medical simulators
	6	Other training devices
	7	Tester—rotor
6940	1	**Communication training devices**
	2	Language laboratory

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
		GROUP 70—GENERAL PURPOSE AUTOMATIC DATA PROCESSING EQUIPMENT, SOFTWARE, SUPPLIES AND SUPPORT EQUIPMENT
7010	1	**ADPE Configuration**
7020	1	**ADP control processing unit (CPU, computer) analog**
7021	1	**ADP control processing unit (CPU, computer) digital**
7022	1	**ADP control processing unit (CPU, computer) hybrid**
7025		**ADP input/output and storage devices**
	1	Memory—magnetic storage
	2	Magnetic tape subsystems
	3	Magnetic disk subsystems
	4	Printers, high speed (ADP)
	5	Paper tape devices
	6	Batch terminal
	7	Interactive display
	8	Interactive graphics
	9	Interactive hard copy
	10	Other ADP input/output storage devices
7030		**ADP software**
	1	Application programs
	2	Data base management programs
	3	Systems programs
	4	Other ADP software
7035	1	**ADP accessorial equipment**
	2	Computer output microfilm equipment
7040	1	**Punched card equipment**
7045		**ADP supplies and support equipment**
	1	Attachments and features for EDP tape
	2	Bands, wraparound, tape reel
	3	Burster, paper forms
	4	Cassettes, digital, EDP tape
	5	Reels, empty, glass, precision, for EDP tape
	6	Tape, electronic data processing
7050	1	**ADP components**
		GROUP 71—FURNITURE
7105		**Household furniture**
	1	Bedroom, wood traditional
	2	Bed frames, metal
	3	Beds, metal frame, dormitory
	4	Beds, oak frame
	5	Bridge table and chairs
	6	Benches, upholstered
	7	Buffets, kitchen—dinette, metal and wood
	8	Bunk beds
	9	Cafeteria and restaurant furniture, seating and tables
	10	Case pieces, metal frame, laminated plastic panels, dormitory
	11	Case pieces, metal frame, laminated plastic panels, with or without casters
	12	Case pieces, metal frame, laminated plastic panels, classroom, with retractable caster base
	13	Case pieces, wood, classroom, with or without casters
	14	Case pieces, wood, classroom, with retractable caster case
	15	Chairs and sofas, semi-upholstered, metal framed, dormitory
	16	Chairs and sofas, upholstered, oak frame
	17	Chairs, easy and occasional, upholstered, household, wood or metal base and legs
	18	Chairs, folding
	19	Chairs, oak frame
	20	Chairs, stacking
	21	Chairs, straight, household type, wood
	22	Chairs, straight, household type, metal
	23	Composite metal and wood furniture, living room, dining room and bedroom
	24	Cots, wood or metal
	25	Counters, recreation room, serving
	26	Cushions, urethane foam
	27	Davenport/settee and table units, household, lobby and lounge, wood and metal base
	28	Davenport, sofa and settee, upholstered, household, wood and metal base and legs
	29	Desks, wood, household
	30	Dining room, wood, traditional
	31	Frames, picture
	32	Furniture, cast aluminum
	33	Furniture, Danish style, living room, dining room and bedroom
	34	Furniture, Early American
	35	Furniture, Eighteen Century English and American reproductions
	36	Furniture, enameled steel
	37	Furniture, hospital patient room use
	38	Furniture, motel type
	39	Furniture, outdoor, metal
	40	Furniture, rattan, household and recreation room
	41	Furniture, tubular steel and aluminum
	42	Furniture, wrought iron
	43	Mirrors, framed and unframed
	44	Multiple seating
	45	Occasional tables and bookcases, living room, wood, traditional
	46	Sofabeds
	47	Springs, bed, open coil (see Class 7210 for box style)
	48	Stands, smoking, metal
	49	Stools, wood and metal
	50	Tables and chairs, kitchen and dinette, metal and wood
	51	Tables, metal base, laminated tops, dormitory
	52	Tables, occasional, household type, metal base and legs
	53	Tables, occasional, household type, wood base and legs
	54	Tables, occasional, oak frame
	55	Tables, parsons style, (including cubes)
	56	Wardrobes and accessory pieces, metal frame, laminated panels
	57	Wardrobes and accessory pieces, steel
	58	Wardrobes, wood
7110		**Office furniture**
	1	ADP transportation equipment
	2	Benches, modular, metal
	3	Benches, modular, wood
	4	Blackboards, wall and floor types
	5	Bookcases, nonsectional, steel
	6	Bookcases, sectional type, metal
	7	Bookcases, sectional type, wood
	8	Bookcases, wood, executive office
	9	Cabinets, addressograph, metal
	10	Cabinets, blueprint filing, metal
	11	Cabinets, blueprint filing, wood
	12	Cabinets, card, wood and metal
	13	Cabinets, file, insulated
	14	Cabinets, file, insulated (security)
	15	Cabinets, file, lateral, metal
	16	Cabinets, file, lateral, wood
	17	Cabinets, file, non-insulated (security)
	18	Cabinets, file, shelf-type, metal
	19	Cabinets, file, vertical, metal
	20	Cabinets, file, vertical, wood
	21	Cabinets, map and plan filing, security
	22	Cabinets, map and plan filing, steel, sectional type
	23	Carrels, desktop, steel
	24	Cases, mail distribution (mailboxes)
	25	Chairs, aluminum
	26	Chairs, conference and training room, fixed height
	27	Chair, double shell, molded plastic
	28	Chairs, metal
	29	Chairs, wood
	30	Credenzas, metal
	31	Credenzas, wood, executive office
	32	Desks and cabinets, card punch and programmers
	33	Desks, field
	34	Desks, metal, office
	35	Desks, shop
	36	Desks, wood, office
	37	Furniture, classroom, metal, wood and plastic
	38	Furniture, reception room and lobby, upholstered, modular, tubular steel
	39	Racks, book display, wood
	40	Racks, mailbag
	41	Racks, time card, metal
	42	Safes, burglary-resistant, metal
	43	Screens, folding, office type
	44	Settees, upholstered, executive office type
	45	Sorting equipment, accessory to card sorting machines
	46	Sound reducing devices for ADP equipment
	47	Stands, dictionary
	48	Stands, office machine, metal
	49	Stands, office machine, wood
	50	Stands, telephone, executive office
	51	Stands, telephone, metal
	52	Stands, typewriter, executive office
	53	Stands, typewriter, portable
	54	Stools, filing, metal
	55	Stools, rotary, drafting, metal
	56	Stools, straight, wood
	57	Storage and handling equipment for accessories to ADP and EAM systems
	58	Storage sections, executive office
	59	Storage sections, over-file, metal
	60	Tables, conference
	61	Tables, occasional, reception
	62	Tables, mail dumping and stamping
	63	Tables, office, metal
	64	Tables, office, wood
	65	Vault doors
	66	Wall units, storage and display, freestanding, metal
	67	Wall units, storage and display, freestanding, wood
7125		**Cabinets, lockers, bins, and shelving**
	1	Angles, slotted, steel
	2	Bins, storage and display
	3	Bins, storage, rotary, metal
	4	Cabinets, key
	5	Cabinets, small parts
	6	Cabinets, storage, flammable liquid
	7	Cabinets, storage, forms
	8	Cabinets, classroom, fully equipped with supplies for student use (list of items to be included)
	9	Cabinets, storage, metal
	10	Cabinets, display, metal
	11	Cabinets, wood
	12	Kits, drawer, storage, fibreboard
	13	Lockers, clothing, metal
	14	Lockers, clothing, wood
	15	Lockers, Marine Corps
	16	Lockers, storage for bowling balls
	17	Racks, warehouse storage
	18	Shelving, storage, metal
	19	Shelving, storage, wood
	20	Shelving, X-ray, film filing
7195		**Miscellaneous furniture and fixtures**
	1	Bulletin boards
	2	Cases, exhibit, metal and wood
	3	Cases, merchandise display
	4	Chairs, auditorium and theater
	5	Costumers, metal
	6	Costumers, wood
	7	Counters, check-out, conveyor type
	8	Counters, metal
	9	Directory boards, metal, and supplies
	10	Directory boards, wood, and supplies
	11	Displayers, floor stand, metal
	12	Lecturns
	13	Library furniture all types
	14	Park furniture, wood and metal

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	15	Partitions, office, accoustical
	16	Partitions, office, fabric covered
	17	Partitions, office, metal
	18	Partitions, office, wood
	19	Seating and tables, floor mounted, for bowling alleys
	20	Racks, wearing apparel
	21	Stools, drafting, metal
	22	Store fixtures, metal
	23	Store fixtures, wood
	24	Tables, folding
	25	Tables, parachute packing
	26	Tables, work, metal
	27	Tables, work, wood
	28	Work benches
		GROUP 72—HOUSEHOLD AND COMMERCIAL FURNISHINGS AND APPLIANCES
7210		**Household furnishings**
	1	Bedspreads
	2	Blankets, bed
	3	Covers, mattress
	4	Cushions and pads, chair
	5	Mattresses, bed
	6	Pads, mattress
	7	Pillowcases
	8	Pillows, bed
	9	Sheets, bed
	10	Springs, bed, box style (see Class 71[illegible] for open coil)
	11	Tablecloths and napkins, cotton
	12	Towels and washcloths
7220		**Floor coverings**
	1	Carpets and rugs, axminster
	2	Carpets and rugs, tufted
	3	Carpets and rugs, velvet
	4	Carpets and rugs, wilton
	5	Cushions, carpet and rug, jute and hair
	6	Cushions, carpet and rug, sponge and foam rubber
	7	Deck coverings, abrasive-coated, nonslip
	8	Deck coverings, lightweight, nonslip
	9	Entranceway carpet-type mats and matting pile to rubber or vinyl
	10	Entranceway carpet-type mats and matting
	11	Floor coverings, asphaltic felt
	12	Floor coverings, sheet rubber
	13	Floor coverings, vinyl resin
	14	Lining felts, linoleum
	15	Linoleums
	16	Mats, chair
	17	Mats, door
	18	Mats and matting, floor, rubber or vinyl
	19	Mats, shower, floor type
	20	Mattings, rubber, fire retardant
	21	Mattings, vinyl, fire retardant
	22	Outdoor-indoor carpets, nonwoven
	23	Tiles, floor, asphalt
	24	Tiles, floor, cork
	25	Tiles, linoleum, fire retardant
	26	Tiles, floor, rubber
	27	Tiles, floor, vinyl-asbestos
	28	Tiles, vinyl resin
	29	Treads, nonmetallic, nonskid
	30	Treads, stair, rubber/vinyl
7230		**Draperies, awnings, and shades**
	1	Air port curtains, except aircraft (see 19 below)
	2	Awnings
	3	Awnings, aluminum
	4	Awnings, canvas
	5	Awnings, entrance
	6	Awnings, fiberglass
	7	Awnings, patio
	8	Awnings, plastic
	9	Awnings, porch
	10	Awnings, residence
	11	Awnings, store
	12	Awnings, window
	13	Awnings, wood
	14	Blinds, door (see 39 below)
	15	Blinds, porch (see 40 below)
	16	Blinds, venetian
	17	Blinds, window (see 42 below)
	18	Brackets, round curtain rod
	19	Curtains, air port, except aircraft (see 1 above)
	20	Curtains, blackout, except aircraft
	21	Curtains, compartment division, except aircraft and hospital type
	22	Curtains, cubicle
	23	Curtains, doorway, except aircraft (see 28 below)
	24	Curtains, lavatory, except aircraft
	25	Curtains, shower
	26	Curtains, window, except aircraft
	27	Darkroom curtains
	28	Door curtains, except aircraft (see 23 above)
	29	Draperies
	30	Hardware, curtain
	31	Hardware, drapery
	32	Hardware, window shade
	33	Hardware and fittings, venetian blind
	34	Hooks, drapery
	35	Hooks, shower curtain, suspension
	36	Porthole curtains, except aircraft
	37	Rods, curtain
	38	Rollers, roller shade
	39	Shades, door (see 14 above)
	40	Shades, porch (see 15 above)
	41	Shades, roller
	42	Shades, window (see 17 above)
	43	Slats, roller shade
	44	Tapes, ladder, venetian blind
7240		**Household and commercial utility containers**
	1	Bags, soiled linen hamper
	2	Basin, wash
	3	Basket, cloth
	4	Cans and covers, ash and garbage
	5	Cans, flammable waste
	6	Cans, safety, gasoline
	7	Covers, receptical, swinging door, metal
	8	Funnels, general purpose
	9	Hand truck
	10	Holder, pole stand, waste receptacle
	11	Liners, plastic
	12	Measures, liquid (flexible metal spout)
	13	Measures, liquid, multiapplication
	14	Measures, liquid, swing-spout
	15	Opener-dispensers, can
	16	Pails, canvas
	17	Pails, ⅔ oval
	18	Pails, utility, metal
	19	Pails, utility, plastic
	20	Pails, utility, rubber
	21	Waste receptacles, with cover, plastic
	22	Waste receptacles, step-on type, metal
	23	Waste receptacles, swinging door, metal
7290		**Miscellaneous household and commercial furnishings and appliances**
	1	Clothespins
	2	Dryers, electric, hand
	3	Dust pans
	4	Fireplace sets
	5	Flatirons
	6	Handcarts, grocery
	7	Hangers, coat and trouser
	8	Headrest cover, paper
	9	Headrest cover, plastic
	10	Holders, twine
	11	Holders and cutters, wrapping paper
	12	Ironing boards, pads, and covers
	13	Planters and artificial plants
	14	Sewing machines, household type
	15	Stand, paper towel and hand cleaner
	16	Vases and urns
	17	Wall art (to exclude originals)
		GROUP 73—FOOD PREPARATION AND SERVING EQUIPMENT
7310		**Food cooking, baking, and serving equipment**
	1	Bag, coffee
	2	Bakery machines
	3	Cabinet, food warming, steam heated
	4	Carts, food serving
	5	Coffee percolators, electric
	6	Deep fat fryers
	7	Hot plates, electric and gas
	8	Insets, steamtable
	9	Kettles, steam jacketed
	10	Ovens, electric
	11	Ovens, microwave
	12	Ranges, domestic, gas
	13	Ranges, domestic, coal and wood
	14	Ranges, domestic, oil burning
	15	Ranges, domestic, electric
	16	Roasters, electrical automatic
	17	Sandwich toasters and grills, electric
	18	Toasters, electric
	19	Trays, warmer, food
	20	Urns, coffee
	21	Waffle irons, electric
7320		**Kitchen equipment and appliances**
	1	Baskets, tableware
	2	Cylinders for mechanical dish washing machines
	3	Dish washing machines
	4	Dispensers, tableware
	5	Food preparation table
	6	Ground meat patty making machinery
	7	Meat cutting machinery
	8	Meat grinding machinery
	9	Meat tenderizer, electric
	10	Molding machine meat/fish
	11	Racks for mechanical dish washing machines
	12	Vegetable cutting, slicing, and peeling machines
7330		**Kitchen hand tools and utensils**
	1	Boards, food chopping and slicing
	2	Coffee pots
	3	Dishpans
	4	Jugs, insulated, plastic and metal
	5	Kitchen tools
	6	Liners, baking cup
	7	Pad, bakery, cotton
	8	Pans, pudding
	9	Pot lifter
	10	Utensils, aluminum
	11	Utensils, cast iron
	12	Utensils, earthen
	13	Utensils, enamel
	14	Utensils, glass, heat resisting
	15	Utensils, nickel
	16	Utensils, plastic
	17	Utensils, stainless steel
	18	Utensils, tin
	19	Utensils, wooden
	20	Vegetable cutters, hand
7340		**Cutlery and flatware**
	1	Cutlery, carbon steel
	2	Cutlery, stainless steel
	3	Flatware, corrosion resisting steel
	4	Flatware, plastic
	5	Flatware, silver plated
	6	Flatware, wood
	7	Servers, pie and cake
	8	Stirring sticks, beverage
7350		**Tableware**
	1	Butter chips, paper
	2	Coffee pots, serving
	3	Containers, inflight meal, aluminum
	4	Cups, aluminum
	5	Cups, paper
	6	Cups, plastic
	7	Dinnerware, china
	8	Dinnerware, glass
	9	Dinnerware, insulated
	10	Dinnerware, plastic
	11	Dishes, paper
	12	Dispensers, condiment
	13	Dispensers, paper napkins
	14	Dispensers, sugar
	15	Dispensers, toothpick
	16	Glassware, bowl

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	17	Glassware, cruet
	18	Glassware, stemware
	19	Glassware, water bottle
	20	Holloware, silverplated
	21	Pitchers, cream
	22	Pitchers, sirup
	23	Pitchers, vacuum and fillers
	24	Pitchers, water
	25	Plates, paper
	26	Shakers, salt and pepper
	27	Straws, drinking, plastic
	28	Toothpicks
	29	Trays, aluminum
	30	Trays, fiberglass
	31	Trays, plastic
	32	Trays, stainless steel
	33	Tubes, drinking, paper
7360		**Sets, kits and outfits: food preparation and serving**
	1	Bottle and tumbler sets
	2	Containers, cooking and mess outfit
	3	Cutlery kits
	4	Dining packets, dietetic
	5	Dining packets, inflight
	6	Flatware sets
	7	Tableware outfits, field
		GROUP 74—OFFICE MACHINES AND VISIBLE RECORD EQUIPMENT
7420		**Accounting and calculating machines**
	1	Accounting machines
	2	Adding and subtracting machines
	3	Calculating machines
	4	Cases, field, office machines
7430		**Typewriters and office type composing machines**
	1	Card, magnetic for word processing machine
	2	Cartridge, magnetic tape, for MTST/MTSC word processors
	3	Cassette, magnetic tape, for word processors
	4	Composing machines, direct impression
	5	Composing machines, photo composing
	6	Covers, typewriter
	7	Typewriters
	8	Word processing machines, magnetic surface, card type
	9	Word processing machines, magnetic surface, disk type
	10	Word processing machines, magnetic surface, tape type
	11	Word processing machines, perforated tape or card types
7450		**Office type sound recording and reproducing machines**
	1	Office type dictating and transcribing machines
	2	Systems type dictating and transcribing machines
	3	Media, recording, for dictating equipment
7460		**Visible record equipment**
	1	Control boards
	2	Files, desk cabinet (pocket or hanger type), and book type
	3	Tray, ledger and binder
	4	Files, mechanical and nonmechanical
	5	Frames
	6	Rack binders
7490		**Miscellaneous office machines**
	1	Addressing machines
	2	Cash registers
	3	Cash registers, electronic terminal
	4	Check handling machines
	5	Coin counting and handling machines
	6	Collator, paper, desk type
	7	Counting and/or imprinting machines
	8	Embossing machines, address or identification plate
	9	Embossing machines, identification tape
	10	Envelope and letter handling machines
	11	Erasers, electric
	12	Label/postage stamp applying machines
	13	Parcel handling machine
	14	Postage meter machine
	15	Signature machines
	16	Stamping machines, nameplate
	17	Stencil cutting machine
		GROUP 75—OFFICE SUPPLIES AND DEVICES
7510		**Office supplies**
	1	Binder, flexible, prong
	2	Binder, looseleaf, flexible cover
	3	Binder, looseleaf, stiff cover
	4	Binders, note pad
	5	Binders, notebook
	6	Binders, post
	7	Binders, retirement certificate
	8	Binders, and fillers, looseleaf
	9	Binding elements, plastic
	10	Boards, wall calendar
	11	Brushes, paste, office type
	12	Brushes, typewriter
	13	Calendars, wall
	14	Calendar pads
	15	Chalk, line marking, powder
	16	Chalk, marking
	17	Chalk assortments, marking, colored
	18	Charcoal, artists'
	19	Charcoal pencils
	20	Chart supplies
	21	China marking crayons
	22	Circles, azimuth
	23	Clay, modeling, except dental
	24	Cleaner, liquid, pen
	25	Cleaners, type, fluid
	26	Cleaners, type, kneaded rubber
	27	Cleaners, type, plastic
	28	Cleaning and reconditioning compound, platen and feed roller
	29	Clips, paper, binder
	30	Clips, paper, wire
	31	Clips, pencil
	32	Cloth, tracing
	33	Compressors, spaced prong paper fastener
	34	Correction fluid, duplicating machine stencil
	35	Correction fluids, opaque coating
	36	Covers, book
	37	Crayons, marking
	38	Crayon assortments, marking, colored
	39	Cups, clip, pin, and sponge
	40	Drier, printing ink
	41	Duplicating fluid, direct process
	42	Envelopes, transparent
	43	Eradicators, ink
	44	Erasers, blackboard
	45	Erasers, mechanical pencil
	46	Erasers, rubber
	47	Erasers, steel knife
	48	Extender, printing ink
	49	Eyelet reinforcements, gummed cloth
	50	Fasteners, paper, brass prong
	51	Fasteners, paper, pinch type
	52	Fasteners, paper, slide
	53	File backers, paper
	54	Films, stencil, silkscreen
	55	Finger pads, rubber
	56	Fingerprint powder
	57	Frames, mounting, address plate
	58	Holders, binder label
	59	Holders, crayon
	60	Holders, desk tray label
	61	Index card tips, transparent
	62	Index strips, visible record
	63	Ink, cancelling, metal post-marking stamps
	64	Ink, developing, lithographic plate
	65	Ink, drawing
	66	Ink, duplicating, gelatin process
	67	Ink, duplicating, lithographic process
	68	Ink, duplicating, spirit process
	69	Ink, duplicating machine, stencil
	70	Ink, fingerprint
	71	Ink, lithographic, tusche
	72	Ink, lithographic offset, rolling up black
	73	Ink, for felt tip markers
	74	Ink, marking, food
	75	Ink, marking, laundry
	76	Ink, marking, parachute
	77	Ink, marking stencil
	78	Ink, numbering machine
	79	Ink, postage meter
	80	Ink, printing
	81	Ink, recording instrument
	82	Ink, stamp pad
	83	Ink, stencil marking
	84	Ink, writing
	85	Inking pads, rubber stamps
	86	Inking pad refills, rubber stamp
	87	Inserts, index tab
	88	Labels, tape, heat sensitive, adhesive
	89	Labels, tape, pressure sensitive adhesive
	90	Leads, pencil, colored
	91	Leads, pencil, graphite
	92	List finder, automatic (and refills)
	93	Lithographic crayons
	94	Maptacks
	95	Metal marking crayons
	96	Mounting disks, pressure sensitive adhesive
	97	Music writing pens
	98	Office supply sets, field
	99	Pads, stamp
	100	Pads, typewriter
	101	Paper, type correction
	102	Paperweights
	103	Pastel sticks
	104	Pastel stick assortment
	105	Pens, artists' (pen points)
	106	Pens, crowquill
	107	Pens, lettering (pen points)
	108	Pens, mapping (pen points)
	109	Pens, writing (nonmechanical)
	110	Pen cleaners, liquid
	111	Pen points
	112	Pen point and feed sections
	113	Pen point assortments and penholders
	114	Pencils, checking
	115	Pencils, china marking
	116	Pencils, indelible
	117	Pencils, lead (nonmechanical)
	118	Pencils, plate marking
	119	Pencil assortments, colored
	120	Pencil assortment, drawing
	121	Pencil point protectors
	122	Pencil pointers
	123	Penholders
	124	Pins, push
	125	Pins, straight, office type
	126	Pinch type paper fasteners
	127	Plates, metal, address plate machine
	128	Pocket planning sets and refills
	129	Portfolios, except luggage type
	130	Posts, ledger and binder, screw type
	131	Pouches, sponge
	132	Powder, tracing cloth
	133	Protectors, document
	134	Protectors, duplicating stencil
	135	Refills, automatic list finder
	136	Refills, ball point pen
	137	Refills, rubber stamp inking pad
	138	Ribbons, accounting machine
	139	Ribbons, address plate machine
	140	Ribbons, automatic plotter-tracer
	141	Ribbons, billing machine
	142	Ribbons, bindery printing stamping press
	143	Ribbons, cash register
	144	Ribbons, check writing machine
	145	Ribbons, composing machine, changeable type plate style
	146	Ribbons, computing machine
	147	Ribbons, print punch
	148	Ribbons, tabulating machine
	149	Ribbons, teletypewriter
	150	Ribbons, time clock
	151	Ribbons, time stamp
	152	Ribbons, typewriter
	153	Ribbons, typewriter, hectograph
	154	Ribbons, typewriter, multigraph
	155	Ribbons, vari-typer
	156	Rings, loose-leaf binder
	157	Rubber bands
	158	Rules, line guide
	159	Rulers, plastic
	160	Rulers, wood

Listed below are some of the commodities which are purchased by the Federal Supply Service, General Services Administration. Not all products are purchased regularly. If your product is not listed in one of the mailing list codes, or if you have a question, contact your Business Service Center.

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	161	Scales, measuring, typists'
	162	Screens, color overlay
	163	Screens, line cut
	164	Screens, stencil shading
	165	Screen sets, line cut
	166	Sealing wax
	167	Sheaths, pen and pencil
	168	Shields, erasing
	169	Staples, paper fastening, office type
	170	Strips, visible file
	171	Stumps, artists'
	172	Tab, index
	173	Tabs, signal
	174	Tab sets, index
	175	Tab sets, signal
	176	Tacks, thumb
	177	Tape, bonding, double coated, pressure sensitive adhesive
	178	Tape, masking and drafting, adhesive, pressure sensitive
	179	Tape, embossing
	180	Tape, gummed, except packaging
	181	Tape, pressure sensitive adhesive, aluminum foil
	182	Tape, pressure sensitive adhesive, cellophane, cellulose acetate
	183	Tape, pressure sensitive adhesive paper, photographic
	184	Tape, pressure sensitive adhesive double coated
	185	Tape, pressure sensitive adhesive, lead foil backing
	186	Tape, pressure sensitive adhesive, packaging
	187	Tape, pressure sensitive adhesive, preservation and sealing
	188	Tape, pressure sensitive adhesive, vinyl plastic backing
	189	Tape, correction
	190	Thumbtacks
	191	Varnish, lithographic
	192	Water colors
7520		**Office devices and accessories**
	1	Airbrushes, artists'
	2	Alphabetical type sets, rubber
	3	Arch board files
	4	Ball point pens
	5	Baskets, wastepaper
	6	Boards, visual control
	7	Book ends
	8	Bookrests
	9	Boxes, cash and stamp, steel
	10	Boxes, filing, steel
	11	Boxes, index card, wood
	12	Boxes, letter filing, wood
	13	Boxes, pamphlet filing
	14	Boxes, and files, arch board, prescription filing
	15	Brushes, moistener
	16	Brushes, stencil
	17	Brush tips, fountain type stencil
	18	Cases, fingerprint identification kit
	19	Cases, maintenance and operational manuals
	20	Cases, slide rule
	21	Clamp, pencil, desk and table type
	22	Clay modeling kits
	23	Clip boards, flight progress computing
	24	Clip boards, pilots'
	25	Clip board files
	26	Copyholders, typists'
	27	Correspondence sorters, desk
	28	Cutters, pencil sharpener
	29	Dispensers, gummed tape
	30	Dispensers, pressure-sensitive adhesive tape
	31	Dispensers, tape, masking
	32	Dispensers, water soluble gummed tape
	33	Easels, artists'
	34	Easels, display and training
	35	Files, machine posting
	36	Files, suspended folder
	37	Files, work organizer
	38	Filing and transfer cases, fiberboard components
	39	Frames, file drawer
	40	Guards, cord, telephone
	41	Holders, desk memorandum paper
	42	Holders, ink bottle
	43	Holders, name plate, desk
	44	Holders, stenographer's notebook
	45	Holders, telephone receiver
	46	Holder-dispensers, ink bottle
	47	Indexes, automatic, self-finding
	48	Inking pads, office type numbering machine
	49	Inkstands
	50	Lead repointers, pencil
	51	Letters and figures
	52	List finders, automatic
	53	Magnifiers, line guide
	54	Markers, fountain type, felt tip
	55	Markers, plotting
	56	Markers, tube type, felt tip
	57	Marker assortments, tube type, felt tip
	58	Metal stamps, hand type
	59	Moisteners, paper sealing
	60	Moistener brushes
	61	Numbering machines, office type, hand operated
	62	Numbering stamps, rubber
	63	Openers, letter, hand
	64	Pads, desk, blotter
	65	Pamphlet filing boxes
	66	Pans, water color
	67	Pens, barrel, ballpoint
	68	Pens, fountain
	69	Pen sets, desk
	70	Pencils, mechanical
	71	Perforators, paper, desk
	72	Pointers, lecture
	73	Pointers, optical projection, photographic
	74	Posts, stacking, desk tray
	75	Punches, paper, hand
	76	Racks, distributor, desk
	77	Racks, rubber stamp
	78	Rubber stamps
	79	Seals, notarial
	80	Sharpeners, pencil
	81	Shelves, filing
	82	Slide rules
	83	Spatulas, ink or paint mixing
	84	Stamps, dating
	85	Stamps, numbering
	86	Stamps, time, hand stamp type
	87	Stands, calendar pad
	88	Staple removers, office type
	89	Staplers, paper fastening, office type
	90	Stapling machines, paper, office type
	91	Stencils, marking
	92	Stencil duplicating print kits, hand stamp
	93	Stencil sets, marking
	94	Styli duplicating stencil
	95	Support sets, stacking, desk tray
	96	Time stamps, hand stamp type
	97	Tips, fountain type marker, felt
	98	Tips, fountain type stencil brush
	99	Transfer filing cases, fiberboard
	100	Trays, desk
	101	Trimmers, paper, drop knife
	1[illegible]	Tube units, fingerprint identification kit
7530		**Stationery and record forms**
	1	Books, appointment
	2	Books, blank, memorandum, stenographer, time
	3	Book, refill appointment
	4	Cards, coin, mailing
	5	Cards, guide, charge out
	6	Cards, index
	7	Cards, library
	8	Cards, tabulating machine
	9	Charts, recording
	10	Envelopes, glassine
	11	Envelopes, interoffice
	12	Envelopes, mailing
	13	Envelopes, photographic
	14	Envelopes, x-ray
	15	Folders, file, kraft, manila
	16	Folders, file, pressboard
	17	Filing systems
	18	Indexes, binder
	19	Labels, paper gummed and pressure sensitive
	20	Manifold, carbon paper sets
	21	Pads, columnar
	22	Pads, memorandum
	23	Paper, blotting
	24	Paperboard
	25	Paper, bond and writing
	26	Paper, carbonless transfer
	27	Paper, carbon, pencil
	28	Paper, carbon, typewriter
	29	Paper, chart
	30	Paper, court martial
	31	Paper, drawing
	32	Paper, duplicating
	33	Paper, duplicating, spirit process
	34	Paper, duplicating stencil
	35	Paper, graph
	36	Paper, ledger
	37	Paper, looseleaf and practice writing
	38	Paper, manifold
	39	Paper, mimeograph
	40	Paper, play construction
	41	Paper, recording, electro-sensitive
	42	Paper, shorthand machine
	43	Paper, tabulating
	44	Paper, tape cash register and computing machine
	45	Paper, tape, teletype, roll
	46	Paper, teleplotter
	47	Paper, teletype, continuous flatfold
	48	Paper, teletype, roll
	49	Paper, teletype, spirit process, roll
	50	Paper, tracing, ozalid
	51	Paper, waterproof
	52	Refills, calendar and appointment record
	53	Tape, postage meter
	54	Wallet, jackets, envelopes (expanding)
	55	Wrappers, stencil, filing
7540		**Standard forms**
	1	Credit cards
		GROUP 76—BOOKS, MAPS AND OTHER PUBLICATIONS
7610		**Books and pamphlets**
	1	Almanacs
	2	Books, fiction
	3	Books, instruction
	4	Books, law, tax, and other regulatory material
	5	Books, medical
	6	Books, reference
	7	Books, technical
	8	Dictionaries
	9	Directories
	10	Encyclopedias
	11	Geography books
	12	History books
	13	Pamphlets, instruction
	14	Pamphlets, reference
	15	Pamphlets, technical
	16	Text books
7630		**Newspapers and periodicals**
	1	Magazines
	2	Newspapers
	3	Periodicals
7640		**Maps, atlases, charts and globes**
	1	Atlases
	2	Globes (celestial, terrestrial, world)
	3	Maps (except training aids)
7650	1	**Drawing and specifications**
7660		**Sheet and book music**
	1	Band arrangements
	2	Books, music
	3	Libraries, band
	4	Libraries, basic, dance band
	5	Libraries, drum and bugle corps
	6	Music, sheet
	7	Music exercises, military band
7670		**Microfilm, processed**
	1	Microprint editions
7690		**Miscellaneous printed matter**
	1	Decals
	2	Labels, printed, except with border only
	3	Markers, identification

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
		GROUP 77—MUSICAL INSTRUMENTS, PHONOGRAPHS AND HOME-TYPE RADIOS
7710	1	**Musical instruments**
7720		**Musical instrument parts and accessories**
	1	Parts, accessories
	2	Cases
7730		**Phonographs, radios, and television sets: home type**
	1	Phonograph, stereo and hi-fi
	2	Radio
	3	Television sets
	4	Tape players, stereo and hi-fi
7740	1	**Phonograph records**
	2	Tape, cassette
	3	Tape, reel to reel
		GROUP 78—RECREATION AND ATHLETIC EQUIPMENT
7810		**Athletic and sporting equipment**
	1	Archery
	2	Badminton
	3	Basketball
	4	Boxing
	5	Cricket
	6	Fencing
	7	Fishing
	8	Football
	9	Golf
	10	Handball
	11	Hockey
	12	Judo
	13	Lacrosse
	14	[illegible]tball
	15	Table tennis
	16	Tennis
	17	Track and field
	18	Volleyball
	19	Water polo
	20	Wrestling
7820		**Games, toys, and wheeled goods**
	1	Backgammon and checkerboards
	2	Cards, playing
	3	Checkers
	4	Chess games, chessmen and chess board
	5	Cribbage board
	6	Croquet sets
	7	Darts and boards
	8	Dice
	9	Foosball
	10	Games
	11	Handicraft kits
	12	Horseshoes
	13	Puzzles
	14	Shuffleboard
7830		**Recreational and gymnastic equipment**
	1	Billiard
	2	Bowling
	3	Bicycle trainers
	4	Gymnastic equipment
	5	Playground equipment
	6	Pool tables
	7	Racks, bicycle
	8	Theatrical makeup and stage equipment
		GROUP 79—CLEANING EQUIPMENT AND SUPPLIES
7910		**Floor polishers and vacuum cleaning equipment**
	1	Bag, vacuum cleaner disposable
	2	Brushes, polishing-scrubber, floor
	3	Cleaners, vacuum
	4	Cleaners, vacuum, household
	5	Pads, floor polishing machine
	6	Polisher-scrubber vacuums, floor, electric
7920		**Brooms, brushes, mops, and sponges**
	1	Applicators, wax and refill pads
	2	Bags, waste truck, hand conveyor
	3	Brooms, push, upright, whisk, yard
	4	Brushes, acid swabbing
	5	Brushes, engine cleaning
	6	Brushes, file cleaner
	7	Brushes, general cleaning, kitchen use
	8	Brushes, glue
	9	Brushes, hand, surgical, scrub
	10	Brushes, laboratory; including beaker, flask, test tube, etc.
	11	Brushes, maintenance; including dusting, sanitary, scrubbing, sweeping
	12	Brushes, shoe
	13	Brushes, spoke
	14	Brushes, vegetable
	15	Brushes, wire, scratch, scraper
	16	Cloths, cleaning, disposable
	17	Cloths, polishing
	18	Cloths, sponge
	19	Dusters, feather
	20	Dusters, venetian blind
	21	Handles, metal
	22	Handles, wood
	23	Mop wringers and bucket
	24	Mopping outfits, floor
	25	Mops, wet, cellulose sponge
	26	Mops, cotton, dry, oil treated and wet
	27	Pads, metal polish impregnated
	28	Pads, scouring
	29	Pumice stones and holders
	30	Rags, wiping
	31	Sponges, metal
	32	Sponges, natural
	33	Sponges, plastic
	34	Sponges, synthetic
	35	Squeegees and blades
	36	Towels, machinery wiping
	37	Towels, paper, except personal and household type
	38	Wringers, mop
7930		**Cleaning and polishing compounds and preparations**
	1	Absorbent materials, oil and water
	2	Bluings, laundry
	3	Cleaning compounds, glass
	4	Cleaning compounds, septic tank
	5	Cleaning compounds, toilet bowl
	6	Detergents, general purpose, liquid and powder
	7	Dishwashing compounds, hand and machine
	8	Polish, automotive
	9	Polish, floor
	10	Polish, furniture
	11	Polish, metal
	12	Polish, plastic
	13	Polish, shoe
	14	Removers, water emulsion type floor wax
	15	Rinse additives, laundry
	16	Scouring powders
	17	Soaps, automobile and floor
	18	Soaps, laundry
	19	Soaps, scouring
	20	Soaps, scrubbing, alkaline
	21	Sours, laundry
	22	Stain removers, tableware
	22	Starch, laundry
	23	Sweeping compounds
	24	Wax, automobile
	25	Waxes, floor, water emulsion type
	26	Waxes, general purpose, solvent type
		GROUP 80—BRUSHES, PAINTS, SEALERS, AND ADHESIVES
8010		**Paints, dopes, varnishes, and related products**
	1	Aerosol or pressurized paints
	2	Beads, retro-directive
	3	Coatings, polyurethane
	4	Dopes
	5	Driers, paint
	6	Enamels
	7	Fillers, dent, metal surface
	8	Fillers, wood and wall
	9	Fillers, wood paste
	10	Lacquers
	11	Linseed oils
	12	Paints and compounds, fire retardant
	13	Paints and compounds, heat resistant
	14	Paints, airfield marking, reflector type
	15	Paints, antifouling
	16	Paints, blackboard coating
	17	Paints, blue lead
	18	Paints, cement, powder form
	19	Paints, concrete, floor
	20	Paints, concrete, water resistant, exterior and interior, except floors
	21	Paints, epoxy types
	22	Paints, graphite black
	23	Paints, iron oxide
	24	Paints, oil
	25	Paints, priming, plaster
	26	Paints, red lead
	27	Paints, roof
	28	Paints, rubber and latex
	29	Paints, sign, international orange
	30	Paints, traffic
	31	Paints, tree marking
	32	Paints, water powder
	33	Paints, water, ready mixed
	34	Paints, water resistant
	35	Pigments, aluminum paste
	36	Pigments, dry
	37	Pigments, for coloring
	38	Pigments, in oil
	39	Pigments, white lead paste
	40	Primers, all types
	41	Prussian blue paste
	42	Removers, paint, varnish, and lacquer
	43	Removers, rust and corrosion
	44	Sealers, floor
	45	Sealers, paint
	46	Shellac, flake and liquid
	47	Solvents, paint brush cleaner
	48	Stains
	49	Surfacers
	50	Thinners, all types
	51	Tints
	52	Turpentine
	53	Varnish, all types
	54	Whiting
	55	Wood, plastic
8020		**Paint and artists' brushes**
	1	Brushes, artists'
	2	Brushes, paint and varnish
	3	Brushes, roof
	4	Brushes, whitewash
	5	Conditioner, paint brushes
	6	Covers, paint roller
	7	Grids, paint roller
	8	Mitts, paint
	9	Paint roller trays
	10	Rollers, paint
	11	Roller kits, paint
8030		**Preservative and sealing compounds**
	1	Antiseize compounds
	2	Asphaltum compounds
	3	Belt dressings, leather
	4	Calking compounds
	5	Cements, iron and steel
	6	Cements, plastic joint sealer
	7	Coating compounds, abrasive resistant
	8	Coating compounds, aluminum pigmented asphalt
	9	Coating compounds, bituminous solvent
	10	Coating compounds, fabrics
	11	Coating compounds, metal pretreatment
	12	Coating compounds, motor vehicle underbody
	13	Coatings, elastomer
	14	Coatings, protective, waterproof
	15	Corrosion compounds, flotation type

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	16	Corrosion preventive compounds, finger print remover
	17	Corrosion preventative compounds, other
	18	Corrosion resistant coating compounds
	19	Fillers, engraving
	20	Flame retardant compounds
	21	Glazing compounds, sash
	22	Leather dressings
	23	Metal conditioning compounds
	24	Mildew resistant compounds
	25	Molding compounds
	26	Neats-foot oils
	27	Pipe covering coatings
	28	Plastic coating compounds
	29	Plumbing fixture setting compounds
	30	Preservative coatings, canvas
	31	Preservative coatings, cotton matting
	32	Preservative coatings, plastic
	33	Preservative coatings, rubber
	34	Preserving solution concentrates
	35	Putty
	36	Rain erosion resistant coatings
	37	Resin coatings, thermosetting
	38	Rust arresting coatings
	39	Sealing compounds, asphalt base
	40	Sealing compound, epoxy base
	41	Sealing compound, polyurethane base
	42	Sealing compound, polysulfide rubber base
	43	Sealing compound, silicone, rubber base
	44	Sealing compound, synthetic rubber base
	45	Sealing compound, NOIBN*
	46	Sealing kits, fuel tank
	47	Tapes, antiseizing
	48	Tapes, pressure sensitive
	49	Water repellent compounds
	50	Wood preservatives
8040		**Adhesives**
	1	Activators, adhesives
	2	Adhesive, acoustical materials
	3	Adhesives, aerosol packaged
	4	Adhesives, animal derivatives
	5	Adhesives, asphalt base
	6	Adhesives, butadiene acrylonitrile base
	7	Adhesive, cellulose nitrate base
	8	Adhesive, contact type
	9	Adhesive, cyanoacrylate
	10	Adhesive, epoxy base
	11	Adhesive, fire resistant, thermal insulation
	12	Adhesive, heat resistant
	13	Adhesive/cement, latex base
	14	Adhesive/cement natural or synthetic rubber base
	15	Adhesive/cement paper label
	16	Adhesive, phenol, resorcinol or melamine base
	17	Adhesive, polyvinyl acetate base
	18	Adhesive, synthetic resin base
	19	Adhesive, urea resin base
	20	Adhesive, vinyl acetate resin base
	21	Adhesive, vulcanizing
	22	Adhesive/glue, water resistant
	23	Adhesive NOIBN
	24	Glue, casein type
	25	Glue/paste, animal derivative
	26	Film adhesive
	27	Mucilage
	28	Shellac, adhesive
	29	Paste, office type
	30	Thinner, adhesive
		GROUP 81—CONTAINERS, PACKAGING AND PACKING SUPPLIES
8105		**Bags and sacks**
	1	Bags, airsickness
	2	Bags, burlap
	3	Bags, canvas and duck
	4	Bags, cellophane
	5	Bags, cotton, lunch
	6	Bags, cotton, mailing
	7	Bags, glassine

*Not otherwise indicated by name

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	8	Bags, paper, garment
	9	Bags, paper, kraft grocer's
	10	Bags, paper, kraft hardware
	11	Bags, paper, bedside
	12	Bags, paper millinery and notion
	13	Bags, paper, waxed sandwich
	14	Bags, paper, sanitary can liner
	15	Bags, paper, shopping
	16	Bags, paper, waste receptacle
	17	Bags, plastic
	18	Bags, metal foil
	19	Bags, sand
	20	Envelopes, packing list kraft
	21	Envelopes, packing list, polyethylene
	22	Envelopes and sacks, shipping cushioned
	23	Sacks, shipping, paper multiwall
8110		**Drums and cans**
	1	Cans, ice cream, paperboard
	2	Cans, milk
	3	Cans, screw cap
	4	Containers, telescope top, liquid or food, heavy sulphite board
	5	Drums, metal, shipping and storage
	6	Tubes, mailing and filing
8115		**Boxes, cartons, and crates**
	1	Boxes, folding
	2	Boxes, fiberboard (including liners, inserts, components and sleeves), corrugated and solid, single wall and double wall
		Boxes, fiberboard, corrugated and solid, triple wall
	4	Boxes, fiberboard, with foam cushion inserts
	5	Boxes, magnetic reel tape
	6	Boxes, plastic
	7	Boxes, plywood
	8	Boxes, plywood, wirebound
	9	Boxes, wood
	10	Cartons, egg
	11	Container, molded plastic
	12	Container, assembly, sample and specimen shipping
	13	Jacket, shipping
	14	Shock mounts, shipping container
8120		**Commercial and industrial gas cylinders**
	1	Gas, cylinders, caps, valves and valve spare parts
	2	Tanks, liquid gas
	3	Tanks, shipping and storage, dry ice
8125		**Bottles and jars**
	1	Bottles, applicator
	2	Bottles, glass
	3	Bottles, plastic
	4	Bottles, prescription
	5	Bottles, stopper
	6	Caps, screw
8130		**Reels and spools**
	1	Reels and accessories
	2	Spools
8135		**Packaging and packing bulk materials**
	1	Bands, paper, currency
	2	Bands, paper, shirt, wrapping
	3	Barrier material
	4	Boards and trays, prepackaging, paper
	5	Boards and trays, prepackaging, plastic
	6	Cellophane
	7	Chipboard
	8	Cushioning material, bound
	9	Cushioning material, cellulose
	10	Cushioning material, polystyrene
	11	Cushioning material, polyurethane
	12	Fiberboard sheets
	13	Paper, packaging, volatile
	14	Paper, wrapping, dispensary
	15	Paper, wrapping, kraft
	16	Paper, wrapping, meat, freezer and interleaving
	17	Paper, wrapping, tissue
	18	Paper, wrapping, vegetable parchment

CLASS	MAILING CODE CODE	COMMODITY DESCRIPTION
	19	Paper, wrapping, waxed
	20	Paperboard, wrapping, cushioning
	21	Plastic film, sheet and strip
	22	Strapping, nonmetallic, and seals and buckles
	23	Seals and stays, strapping, steel, and strapping, steel, flat
	24	Tags, dry cleaning
	25	Tags, shipping
	26	Tape, acetate fiber, red, white, and blue
	27	Tape, paper, kraft, gummed
	28	Ties, metal strip, [illegible]
	29	Trouser guards, clothes hanger
	30	Tubing, polyethylene
	31	Wrappers, coin
8140		**Ammunition boxes, packages and special containers**
	1	Containers, ammunition and explosive
		GROUP 83—TEXTILES, LEATHER, FURS, APPAREL AND SHOE FINDINGS, TENTS AND FLAGS
8305		**Textile fabrics**
	1	Cloth, cheesecloth and cheesecloth remnants, bleached and unbleached
	2	Cloth, coated (oilcloth)
	3	Cloth, cotton
	4	Sheeting, cloth, cotton
	5	Toweling, cloth, cotton
	6	Waste, matted yarns
8310		**Yarn and thread**
	1	Thread, cotton
	2	Thread, polyester
8315		**Notions and apparel findings**
	1	Binding, bias cut
	2	Braid, cotton, rickrack
	3	Pins, safety
	4	Tape, textile, linen finish, red
	5	Tape, twill, weave
	6	Tape measures, dressmakers'
8320		**Padding and stuffing materials**
	1	Cottons, nonsterile
	2	Paddings, cotton, stitched casing
8325	1	**Fur materials (bulk only)**
8330		**Leather**
	1	Chamois, leather, sheepskin
8335		**Shoe finding and soling materials**
	1	Heels
	2	Insoles
	3	Laces
	4	Soles
	5	Taps, shoe
8340		**Tents and tarpaulins**
	1	Tarpaulins
	2	Tents and tent flies
	3	Tent poles and stakes
8345	1	**Flags and pennants**
		GROUP 84—CLOTHING, INDIVIDUAL EQUIPMENT AND INSIGNIA
8405		**Outerwear, men's**
	1	Belts
	2	Capes
	3	Coats
	4	Coveralls
	5	Raincoats
	6	Shirts

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CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	7	Suits
	8	Sweaters
	9	Trousers
	10	Uniforms
	11	Work clothing
8410		**Outerwear, Women's**
	1	Belts
	2	Blouses
	3	Coats
	4	Dresses
	5	Skirts
	6	Slacks
	7	Suits
	8	Sweaters
	9	Uniforms
8415		**Clothing, special purpose**
	1	Aprons
	2	Aprons, food handling and food serving
	3	Aprons, laboratory
	4	Athletic clothing
	5	Athletic supporters
	6	Cap, food handlers
	7	Gloves, cloth
	8	Gloves, leather
	9	Gloves, rubber
	10	Helmets
	11	Shirt, work, flame resistant
8420		**Underwear and nightwear, men's**
	1	Bathrobes
	2	Pajamas
	3	Shorts
	4	[illegible]
8425		**Underwear and nightwear, women's**
	1	Brassieres
	2	Briefs
	3	Nightgowns
	4	Pajamas
	5	Slips
8430		**Footwear, Men's**
	1	Boots, hip and knee
	2	Overshoes
	3	Shoes, baseball, basketball, bowling, football, gymnasium and bowling
	4	Shoes, canvas, rubber sole
	5	Shoes, leather, all types
8435		**Footwear, Women's**
	1	Boots, hip and knee
	2	Overshoes
	3	Shoes, baseball, basketball, bowling and dress
8440		**Hosiery, Handwear, and clothing accessories, men's**
	1	Belts
	2	Gloves
	3	Handkerchiefs
	4	Hosiery
	5	Neckties
8445		**Hosiery, Handwear, and clothing accessories, women's**
	1	Belts
	2	Gloves
	3	Handbags
	4	Hosiery
8450		**Children's and infants' apparel and accessories**
	1	Pants
	2	Coats
	3	Footwear
	4	Gloves
	5	Pajamas
	6	Socks
	7	Underwear
8455		**Badges and insignia**
	1	Badges, identification

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	2	Emblem, career service
8460		**Luggage**
	1	Brief cases, leather
	2	Cases, dispatch, leather
	3	Cases, dispatch, plastic
	4	Luggage
	5	Portfolios, leather
	6	Trunks
8465		**Individual equipment**
	1	Air mattresses
	2	Bags, mail carrier's
	3	Bags, sleeping, disposable
	4	Bags, sleeping, fabric and accessories
	5	Bags, soiled clothes
	6	Bags, water carrying
	7	Belts, electrician's
	8	Canteens, water, steel and canteen cap
	9	Canteens, water, plastic
	10	Caps, canteen, plastic
	11	Cases, canvas, weather kit
	12	Cases, field pack
	13	Cases, ranger's carrying
	14	Comforters, sleeping bag
	15	Covers, sleeping bag
	16	Knapsacks
	17	Mattress pads, sleeping bag
	18	Packboard assemblies
	19	Pails, canvas
	20	Sheaths
	21	Sheets, sleeping bag
	22	Snowshoe equipment
	23	Swim fins and goggles
		GROUP 85—TOILETRIES
8510		**Perfumes, toilet preparations, and powders**
	1	Talcum powder
8520		**Toilet soap, shaving preparations, and dentifrices**
	1	Creams, shaving
	2	Hand cleaners
	3	Soaps, borax
	4	Soaps, grit
	5	Soaps, shaving
	6	Soaps, toilet, liquid, cake, paste and powdered
	7	Tooth pastes and tooth powders
8530		**Personal toiletry articles**
	1	Brushes, hair
	2	Brushes, shaving
	3	Combs, hair
	4	Razors and blades, safety
	5	Toothbrushes
8540		**Toiletry paper products**
	1	Covers, toilet seat, paper
	2	Doilies, paper
	3	Napkins, paper
	4	Papers, toilet tissue
	5	Tissues, facial
	6	Towels, paper
	7	Towels, paper, dental
	8	Towels, paper, cleansing, wet (packet)
		GROUP 87—AGRICULTURAL SUPPLIES
8710		**Forage and feed**
	1	Dog food, canned
	2	Dog food, dry
	3	Dog food, megirated
	4	Hay, feedings
	5	Straw, bedding
8720	1	**Fertilizers**
8730		**Seeds and nursery stock**
	1	Nursery stock
	2	Seeds, agricultural
	3	Seeds, lawn

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
		GROUP 89—SUBSISTENCE
8905		**Meat, poultry, and fish**
	1	Beef, corned
	2	Beef, roast
	3	Fowl
	4	Pork, (includes ham, frankfurters and lunch meat)
	5	Seafood (clams, oysters, salmon, sardines, and tuna)
	6	Veal
8910		**Dairy foods and eggs**
	1	Cheeses, grated
	2	Ice cream mixes
	3	Milk, evaporated and dry
	4	Milk, fresh
8915		**Fruits and vegetables**
	1	Beans, dry
	2	Fruits, canned, fresh and frozen
	3	Juices, canned, fresh and frozen
	4	Vegetables, canned
	5	Vegetables, fresh
8920		**Bakery and cereal products**
	1	Barley, pearl
	2	Cereals, oats and wheat
	3	Cookies
	4	Corn meal
	5	Corn starch
	6	Crackers
	7	Doughnut mixes
	8	Flour
	9	Hominy
	10	Macaroni, noodles, and spaghetti
	11	Tapioca
8925		**Sugar, confectionery, and nuts**
	1	Chocolate, cooking
	2	Coconut, prepared
	3	Honey
	4	Molasses
	5	Sirup
	6	Sugar
8930		**Jams, jellies, and preserves**
	1	Apple butter
	2	Jams
	3	Jellies
	4	Marmalade
	5	Peanut butter
	6	Preserves
8935	1	**Soups and bouillons**
8940		**Special dietary foods and food specialty preparation**
	1	Baby foods
	2	Chili con carne
	3	Dessert powders
	4	Hash, corned beef
	5	Meringue powder
	6	Mincemeat, canned
	7	Soup and gravy bases, dietetic
8945		**Food oils and fats**
	1	Cooking oils
	2	Margarine
	3	Salad oils
	4	Shortening compounds
8950		**Condiments and related products**
	1	Flavorings
	2	Mayonnaise
	3	Salad dressings
	4	Salt
	5	Seasonings
	6	Spices
	7	Vinegar
	8	Worcestershire sauce
8955		**Coffee, tea, and cocoa**
	1	Chocolate, powder and cocoa
	2	Coffee, instant and roasted
	3	Tea and instant tea

Listed below are some of the commodities which are purchased by the Federal Supply Service, General Services Administration. Not all products are purchased regularly. If your product is not listed in one of the mailing list codes, or if you have a question, contact your Business Service Center.

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
8960		**Beverages, ~~nonalcoholic~~**
	1	Beverages, powdered
	2	Drinking water, canned
	3	Soft drinks
8970		**Composite food packages**
	1	Ration packs and emergency rations
8975		**Tobacco products**
	1	Cigars
	2	Cigarettes
	3	Snuff
	4	Tobacco, chewing, cigarettes, and pipes
		GROUP 91—FUELS, LUBRICANTS, OILS AND WAXES
9110	1	**Fuels, solid**
9130	1	**Liquid propellants and fuels, petroleum base**
9135	1	**Liquid propellants, fuels and oxidizers, chemical base**
9140	1	**Fuel oils**
9150	1	**Oils and greases: cutting, lubricating and hydraulic**
9160	1	**Miscellaneous waxes, oils and fats**
		GROUP 93—NONMETALLIC FABRICATED MATERIALS
9310		**Paper and paperboard**
	1	Bristol board, illustrated
	2	Cardboard
	3	Paper, book, offset
	4	Paper, cover
	5	Paper, crepe
	6	Paper, gummed flat
	7	Paper, index (bristol)
	8	Paper, newsprint
	9	Paper, map
	10	Paper, railroad board
	11	Paper, tagboard
	12	Paper, unsensitized
9320		**Rubber fabricated materials**
	1	Adhesive tape, rubber
	2	Rubber sheets
9330		**Plastics fabricated materials**
	1	Film, elastomeric
	2	Plastic sheet
	3	Plastic sheets, pressure sensitive
	4	Plastic strips
	5	Plastic strips, pressure sensitive
9340		**Glass fabricated materials**
	1	Glass bars, rods, and tubing
	2	Mirrors, glass, except wall mounting and furniture types
9350		**Refractories and fire surfacing materials**
	1	Bricks, refractory
9390		**Miscellaneous fabricated nonmetallic materials**
	1	Fire retardants
	2	Sheetings, reflective
	3	Tapes, reflective

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
	4	Psychrometer wicks
	5	Wicks
		GROUP 94—NONMETALLIC CRUDE MATERIALS
9440		**Miscellaneous crude agricultural and forestry products**
	1	Grain, corn, oats, and wheat
	2	Rubber, crude
	3	Sugar crops
		GROUP 95—METAL BARS, SHEETS, AND SHAPES
9505	1	**Wire, nonelectrical, iron and steel**
	2	Steel strapping
9510		**Bars and rods, iron and steel**
	1	Bars, all types
	2	Steel bars, all types
9515		**Plate, sheet and strip: iron and steel**
	1	Steel plates, all types
	2	Steel sheets, all types
	3	Steel strips, all types
9520		**Structural shapes, iron and steel**
	1	Wrought iron, all types
9525		**Wire, ~~nonelectrical~~, nonferrous base metal**
	1	Wire, all types
9530	1	**Bars and rods, nonferrous base metal**
9535	1	**Plate, sheet, strip and foil: nonferrous base metal**
9545		**Plate, sheet, strip, foil, and wire: precious metal**
	1	Wire, all types
		GROUP 96—ORES, MINERALS AND THEIR PRIMARY PRODUCTS
9610	1	**ORES**
9620	1	**Minerals, natural and synthetic**
9630	1	**Additive metal materials and master alloys**
9640	1	**Iron and steel primary and semifinished products**
9650	1	**Nonferrous base metal refinery and intermediate forms**
	2	Pig lead
	3	Caulking lead

CLASS	MAILING LIST CODE	COMMODITY DESCRIPTION
		GROUP 99—MISCELLANEOUS
9905		**Signs, advertising, displays, and identification plates**
	1	Band, marker
	2	Flag warning kits and reflectors, highway
	3	Holders, card-label
	4	Letters and numerals, cut-out, reflective and nonreflective
	5	Mannequins
	6	Markers, traffic
	7	Markers, aircraft grounding
	8	Plates, identification, aluminum
	9	Plates, identification, brass, bronze and copper
	10	Plates, identification, foil
	11	Plates, identification, plastic
	12	Plates, identification, steel
	13	Portable display systems
	14	Reflectors
	15	Signs, aluminum
	16	Signs, cardboard
	17	Signs, fixed/moving messages, interior and exterior
	18	Signs, interior illuminated, electric
	19	Signs, metal, reflective and nonreflective
	20	Signs, plastic
	21	Signs, reflecting
	22	Signs, silk-screened
	23	Signs, steel
	24	Surveyor's flagging ribbon
	25	Tags, metal
	26	Tags, fiber
	27	Tags, plastic
	28	Traffic sign faces, reflective and nonreflective
9910		**Jewelry**
	1	Clasps, necktie and cuff buttons (except regulation insignia)
	2	Costume jewelry
	3	Trophies and plaques
9915		**Collectors' items**
	1	Antiques
	2	Coins, collectors'
	3	Paintings, collectors'
	4	Rare books
	5	Stamps
9920		**Smokers' articles and matches**
	1	Ash receivers, tobacco
	2	Cigarette lighters, fluid, flints, papers and pipe cleaners
	3	Matches nonsafety
	4	Matches, safety
	5	Smoking sets
9925		**Ecclesiastical equipment, furnishings, and supplies**
	1	Alcoholic beverages, sacramental
	2	Altars and altar candles, candlesticks and bells
	3	Baptismal bowls and sprinklers
	4	Chalices
	5	Communion sets
	6	Statuary
9930		**Memorials, cemeterial and mortuary equipment and supplies**
	1	Caskets
	2	Mortuary wraps
	3	Vaults
9999		**Miscellaneous items**
	1	Massage centers

SERVICES

Listed below are the Standard Industrial Service Classification group numbers. Under each are shown in the Mailing List Code Numbers assigned to each particular service for which a separate mailing list is maintained. For repair, maintenance, and other services not listed, please contact the Business Service Center serving your locality for additional assistance and information on other GSA buying programs.

STANDARD INDUSTRIAL GROUP	MAILING LIST CODE	SERVICE DESCRIPTION
0275		**Commercial printing service**
	1	Composition and layout services (sequential card system maintenance)
	2	Negative and plate making
0411		**Local and suburban passenger transportation service**
	1	Ambulance
	2	Rentals, automobile with drivers
	3	Rentals, bus with drivers (Rentals without drivers, see 0751)
0421		**Trucking local and long distance**
	1	Hauling and stockpiling, coal
	2	Rentals with drivers, trucks
	3	Trucking and hauling
0422		**Public warehousing**
	1	Storage and handling facilities (crude rubber)
0452		**Air transportation**
	1	Aircraft rental with pilot
0453		**Fixed facilities and services related to air transportation**
	1	Aircraft repair service and spare parts
0478		**Miscellaneous services incidental to transportation**
	1	Parking and crating domestic
	2	Parking and crating export
	3	Forklift rental
	4	Material handling
	5	Moving service
0489		**Communications services**
	1	News ticker service, teletype
0495		**Sanitary service**
	1	Refuse, collection and disposal
	2	Snow removal
0635		**Surety insurance**
	1	Bond, employee position
0641		**Insurance agents and service**
	1	Vehicle damage appraisal
0721		**Laundry and dry cleaning service**
	1	Cloth wiping, cloth dusting, mat floor and dustmop rental
	2	Diaper service
	3	Laundry and dry cleaning
	4	Laundry rental
	5	Towel rental, roller
0722		**Photographic studios**
	1	Photographic services
0731	1	**Advertising**
	2	Promotional material
0733		**Duplicating, addressing, blueprinting, photocopying, mailing list and stenographic services**
	1	Blueprinting
	2	Photostating
	3	Plate embossing (addressing machine)
	4	Reporting and transcription service, court
	5	Reproduction (mimeograph and offset printing, office type)
	6	Typing and proofreading reproduction masters (mimeograph and offset)
	7	Visual arts and graphics (illustrations, drafting, layouts and photo services
	8	Film strips and slides
0734		**Services to dwellings and other buildings** Contracts in this area are handled by the Public Buildings Service of GSA. Please contact your Business Service Center for information.
0737		**Computer and data processing services**
	1	Computer time
	2	Engineering
	3	Keypunch and verifying
	4	Maintenance, EDP
	5	Management consultant support, except programming
	6	Programming services (ADPE)
	7	Research and development
	8	Scanning, optical
	9	Systems design
	10	Tape magnetic, conversion to microfilm
	11	Tape maintenance, magnetic
	12	Tape service, key
	13	Time sharing
	14	Training
	15	Teleprocessing
	16	Maintenance, PCAM
0739		**Miscellaneous business services**
	1	Addresses and sound systems, public
	2	Clipping service, press
	3	Correct time service
	4	Management consultant service
	5	Marking services
	6	Microfilming
	7	Photographic
	8	Photographic developing, printing, and enlarging
	9	Recording and transcription
	10	Rental of measuring and test instruments
	11	Rental and service of portable toilets
	12	Warehousing labor
0751		**Automobile rental service**
	1	Car and truck rental without drivers
0752		**Automobile parking service**
	1	Vehicle storage
0754		**Automotive services except repair**
	1	Washing cars and light trucks
0789		**Miscellaneous repair shop and related services**
	1	Lock bar security installation
	2	Lock repair, servicing, installation, and key service
	3	Motion picture film and equipment repair
	4	Ozalid printing and developing equipment, repair and maintenance
0781		**Motion picture production and allied services**
	1	Audio-visual productions
	2	Motion picture film and videotape processing
0782		**Motion picture distribution and allied services**
	1	Free loan audio visual distribution
	2	Audio duplication services
0801		**Offices of physicians and surgeons**
	1	Medical examinations
0807		**Medical and dental laboratories**
	1	Automated medical services
	2	Pathological testing service
	3	Rental and service of medical dispensing equipment
0823		**Libraries and information centers**
	1	Library, lending

Mr. **LaFalce**. What is the relationship of the GSA to the Commerce Business Daily?

Mr. **Madison**. Let me respond this way. We, like other agencies, have to synopsize upcoming procurements and subsequent awards.

We try to mail to the Commerce Business Daily our proposed synopsis 10 days prior to the issue date of the solicitation. In that respect, the relationship that we have is that we have to feed information to them for publication in the CBD.

Mr. **LaFalce**. You don't have any jurisdiction over them, or you can't make decisions as to what they do or don't do?

Mr. **Madison**. No.

Mr. **Quinn**. I understand the representatives from the Department of Commerce have made comment in the past to GSA in terms of attempting to bring GSA into the system that Commerce Business Daily uses with a number of other agencies; namely, the automative record system.

I understand further that GSA is the Federal proprietor of that system, but has to date refused to implement the system with respect to sending its own procurement synopsis to the Commerce Business Daily.

Could you comment on the reasons why GSA has refused to date to speed up the system in this area?

Mr. **Madison**. That is partly correct, Mr. Quinn. You may or may not be aware of a pilot program that we were involved in with the Department of Commerce, back in 1978, and 1979.

The purpose was to see if it would be cost effective, and more expeditious if we were to transmit our messages to the CBD via the advanced record system (ARS).

At the conclusion of the 12-month period, a decision was made that it was not necessarily cost effective, and GSA reverted to mailing its synopses to the CBD.

We are now taking another look at the ARS as a result of other agencies' success with it.

Mr. **Quinn**. Are they all finding it is not cost effective?

Mr. **Madison**. They are saying that the synopses arrive at the CBD office in Chicago much faster and are published within 24 hours thereafter.

We have had quite a few discussions, and we are now trying to negotiate a bulk rate as opposed to a flat rate. The approximate cost is 5½ cents a word, and the average message consists of roughly 300 words, which is quite costly.

We have almost reached an agreement, and we hope to revert back to transmitting our messages to the CBD via the advanced record system.

Mr. **Quinn**. There is an understanding that if the cost factor can be controlled, that there is a significant increase in the speed with which you can transmit them, and that would be a benefit to small business.

Mr. **Madison**. Yes, we recognize that this has been a problem, but we have no control over it. This is especially true if there is a delay in the mail. If one is not mailed in a timely fashion, that reduces the amount of time for responding to the solicitations, et cetera.

Mr. LAFALCE. Mr. Carmen, what I would like you to do is review the suggested improvement in the Commerce Business Daily made by its editor in today's testimony, and give me your opinions concerning those suggestions, and then I would also like for you to review the critiques that were made before our subcommittee last Thursday which I have summarized in my opening statement, and give me your opinions regarding those and what might be done to improve the condition and ability of the small businessman to participate.

Mr. CARMEN. Yes; we will do that.

[Response to above request follows:]

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., July 17, 1981.

Hon. JOHN J. LAFALCE,
Chairman, Subcommittee on General Oversight and Minority Enterprise, Committee on Small Business, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: During hearings before your Subcommittee on General Oversight and Minority Enterprise on June 23, 1981, I agreed to furnish additional information to you for the record on several issue areas.

Enclosed are the questions and/or issues raised and the current status of each. Relative to your request for us to review your summary testimony and the CBD testimony and to recommend what actions GSA may take to resolve the cited problems, I will forward my comments to you on July 31, 1981. This will afford us sufficient time to effectively respond to those requests.

Sincerely,

GERALD P. CARMEN, *Administrator.*

Explain the status of GSA's use of the Advance Record System (ARS)/Commerce Business Daily (CBD)

I feel that the Advance Record System (ARS) is certainly the most timely system for synopses processing to the Commerce Business Daily (CBD), however it is a costly method particularly considering the synopses volume that GSA has. I have asked for a cost/benefit analysis to be accomplished that will enable me to adequately consider the actual differences in cost between the current method of operation and the use of the ARS. In addition, I have directed that special rates be considered for our high volume users.

Explain decreased GSA percent to small business goal from fiscal year 1980 to fiscal year 1981

Fiscal year 1980 was the first fiscal year that goals were established in accordance with Public Law 95-507, Section 221(g). The goals for 1980 were developed in conjunction with the Small Business Administration, however the negotiating process took place after the fiscal year had begun and, in fact, the final goals for fiscal year 1980 were not received in GSA until April 15, 1980.

As this was the first formal goal setting year with little experience to utilize for establishing these goals I feel that the 48.3 percent goal of the total procurements over $10,000 to be awarded to small business was over ambitious and unattainable at the onset. In addition, several factors had a somewhat negative impact on our year end achievements:

the furniture moratorium

American Motors Corporation's (a small business) inability to meet current Government miles per gallon requirements, left them ineligible to bid on most solicitations

Our year end achievements of 37.9 percent awarded to small business in fiscal year 1980 is admirable in light of the impediments we were experiencing at that time.

For fiscal year 1981, the goal process was far more timely and our fiscal year 1980 experience enabled us to develop and negotiate with the SBA far more realistic and meaningful goals which were closely tied to the projected GSA procurement actions.

The fiscal year 1981 GSA goal for awards to be made to small business concerns is $1.2 billion or 35.6 percent of our total dollars to be awarded for contracts valued in excess of $10,000. I feel confident that barring any unforseen impediments, GSA will meet this goal.

What role does GSA play in compliance monitoring relative to Public Law 95-507 Section 211 subcontracting requirements?

A subcontracting plan is an integral part of each contract that meets the Public Law 95-507 Section 211 subcontracting requirements. Our contract administrators will be required to monitor contractor compliance as it pertains to actual subcontracts awarded to small business and small disadvantaged business versus the subcontracting goals proposed at the time of the subcontracting plan acceptance. If we determine or if SBA advises that contracts are not in compliance we will take appropriate action. In addition, we will include contract facility reviews pertaining to subcontracting plan compliance in our quality assurance specialists' review requirements.

What is the status of the FPR implementing which implements the use of the subcontracting report forms (Standard Forms 294 and 295)?

The Federal Procurement Regulation [FPR Temp Reg. 59] signed on June 19, 1981, by the GSA Administrator, will appear in the Federal Register on June 29, 1981.

Can GSA appropriate $40,000 to print the LSA Zip Code List?

We have made the necessary arrangements to finance the LSA Zip Code List using existing funds.

Explain any staffing cuts that have been experienced by the OSDBU

From an initial staffing level of 12, the office has reduced to a level of eight full time and one part time. Given the budgetary restraints for fiscal year 1981 and the projected fiscal year 1982 reductions, there are no present plans to increase the staffing level.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 31, 1981.

Hon. JOHN LAFALCE,
Chairman, Subcommittee on General Oversight,
Committee on Small Business,
House of Representatives, Washington, D.C.

DEAR MR. LAFALCE: This is in response to your June 23, 1981, request to review the suggested improvements in the Commerce Business Daily (CBD) made by Mr. John O'Malley, editor of the CBD, in his testimony before your subcommittee on June 18, 1981. You also asked that I review the critiques that were made before your subcommittee on June 18th and summarized in your opening statements during the oversight hearings on June 23, 1981.

First, I will address each of the critiques which are pertinent to GSA:

1. The disappointing performance of the Federal agencies in expanding the opportunities for small business.

During fiscal year 1980, the General Services Administration awarded contracts with a value of $818 million or 37.9 percent of the total procurements over $10,000 to small business concerns. Within this fiscal year, GSA's Business Service Centers had 144,000 counseling actions. Eighty-nine percent (89 percent) of these actions or 129,000 were with small business firms.

In fiscal year 1981, GSA established $1.2 billion as our goal for awards over $10,000 to small business concerns. Six month data reveal that we have awarded to small business concerns approximately $506 million in contracts with values in excess of $10,000.

2. How the small business share of federal procurements has evidenced no appreciable growth in recent years despite the clear intentions of Congress.

Once again, I can only address the situation within GSA. In consonance with Public Law 95-507, the Director of the Office of Small and Disadvantaged Business Utilization closely monitors GSA's performance in the procurement preference programs and submits quarterly accomplishment reports to the Administrator of GSA.

In fiscal year 1980, $818 million in contracts were awarded to small business concerns and from year-to-date for fiscal year 1981, it appears that $1.2 billion in contracts will be awarded to small business concerns for the current fiscal year.

3. How bid sets and specifications were very often unavailable to small businesses despite the enactment of Public Law 95-507 which mandates their availability.

In accordance with FPR Section 1-1.702-(b)(8) "Specific Policies," GSA furnishes specifications, plans, and drawings with invitations for bids and requests for proposals. When they are not furnished, a business person can obtain or examine them at the GSA Business Service Center located in his or her geographical areas. Federal Specifications and Standards can be obtained from the Federal Specifications and

Consumer Information Section, Regional Federal Supply Service, GSA's National Capital Region, Washington, DC 20407.

The Commissioner of GSA's Federal Supply Service promulgates and maintains on a current basis the "Index of Federal Specifications and Standards." The index lists Federal Specifications, Standards and other related documents available to the business community. The index also provides information on other Government specification and recognized industry standards. Supplements to the index reflect the mandatory effective date of all Federal Specifications and Standards. The index also identifies sources from which referenced documents can be obtained.

4. How inadequate time is allowed (usually 6 to 10 days) from the time of the publication of bid notice to bid opening date.

Generally, we mail to the Commerce Business Daily our proposed synopsis 10 days prior to the issue date of the solicitation. If all things go on schedule, prospective bidders would normally have thirty days to respond to a solicitation once it has been synopsized in the Commerce Business Daily. However, if there is a delay in the mails or if the editor of the CBD does not receive the synopsis prior to the issue date of the solicitation, the response time for a particular solicitation may be reduced.

However, we are currently reexamining the Advanced Records System to transmit synopses to the Commerce Business Daily. Further, we are attempting to negotiate a bulk rate for message transmission as opposed to a flat rate of 5½ cents per word. The average message costs approximately $15.00. In 1980, GSA's Business Services Division determined that although automated transmissions greatly expedited the receipt of synopses in Chicago, the costs were prohibitive.

5. The increasing number of sole source procurements.

In accordance with Subpart 1.3.1—"Use of Negotiations," Title 41, Code of Federal Regulations, GSA discourages the use of sole source procurements if the use of formal advertising is possible and practicable.

6. How small businesses are often excluded from bidding on Government contracts due to the lack of specifications and data which Government owns but failed to obtain from the original contractors.

The situation described in this question would not only exclude small businesses from bidding on Government contracts, but would also exclude all businesses irrelevant to size. When the original contractor retains drawings and specifications, a future need for the product would result in a sole source buy. However, if the original contract contained the "Rights and Data Clause" or similar provisions which require a contractor to render all data and specifications, a contractor would be obligated to provide any drawing or specification developed under the contract as a deliverable. To ensure that the contractor does submit all deliverables, the Federal contracting officer would withhold final payment until all deliverables required by the contract have been received.

7. How government change orders and design errors impose unnecessary and often devastating financial hardships upon small business.

The authority in Government contracts to issue change orders is vested in the Changes clause. The concept of the changes clause has been a long-held concept in Government contracting. Its principal purpose is to provide the Government with the needed flexibility within the framework of the contract to issue changes and to provide for adequate compensation to the contractor when the Government exercises this flexibility. The Government's need for such flexibility is caused by such factors as the constantly changing requirements for many different types of goods and services and the rapidly advancing technology associated with some of these goods and services. Even in situations where definitive specifications and drawings are used in contracts, frequently, there is need for technical interpretation. This clause permits the contracting parties to incorporate into the contract any changes which result because of such interpretation. While the changes article provides substantial flexibility to the Government, it can be useful to contractors. For example, it can be used to facilitate changes suggested by contractors. Notwithstanding its beneficial use, a large number of change orders in a particular contract situation can have adverse effect on the contracting parties. It is recognized that in situations such as these that a contractor may find it difficult to compute and justify the cumulative effect of numerous changes for purposes of an equitable adjustment under the clause. However, this situation of issuing numerous changes is not the norm in government contracting. But, we cannot overlook the situation where an error is the Government's specification or drawing is discovered. In these instances, we would act to correct such an error for it would not be in the Government's best interests to permit work under a contract to continue where such a condition exists. In this regard, the value of a change clause is apparent in that it permits the Government to make needed changes and provides the mechanism for the equitable adjustment of the contract price.

8. How agency requirements for bidder "prequalification" are increasingly utilized to discriminate against small businesses.

We do not feel that our Qualified Products List (QPL) Program discriminates against small businesses.

The Qualified Products List (QPL) is a listing of manufacturers who have qualified products for sale to the Government through a structured testing program operated by the Federal Supply Service (FSS). It is impractical at times to procure products solely on acceptance tests which may be costly, complex or lengthy without unduly delaying delivery. To assure continuous availability of desired quality products to the opening of bids or the award of negotiated contracts, manufacturers may apply for qualification on the QPL and pay a test fee. An FSS quality control inspector draws samples and sends the manufacturer a letter granting qualification. QPL status does not guarantee an award; QPL status indicates that a manufacturer was at the time samples were selected, manufacturing a product meeting the qualification requirements. Manufacturers can be removed from QPL at any time if they submit a product which does not meet the qualifications. Solicitations under this program limit awardees to only those manufacturers who are on the QPL.

The only costs to a business to get products approved for the QPL in addition to normal business development costs, are the FSS lab test fee and the transportation costs associated with getting the product to the lab. As more procurement has been accomplished by the acquisition of commercially available products, the use of the QPL program has decreased and will continue to do so. The total amount of lab fees for fiscal year 1980 was $118,000.

The following represents the majority of items procured using a QPL, average test fees, and estimated annual procurement volumes.

Commodity	Lab test fee	Annual procurement volume
Paints	$325	$19,000,000
Tools	350	10,000,000
Furniture (security equipment and filing cabinets)	3,500	10,000,000
Lamps	700	4,500,000
Batteries	400	2,268,800

Following are our comments on the suggested improvements (1, 3, 4 and 6) in the Commerce Business Daily which will directly impact GSA.

1. Advertise all proposed procurement of $10,000 or more from both civil and military agencies.

In accordance with the requirements of the Small Business Act and Subpart 1-1.10, Publicizing Procurement Actions, Section 1-1.1003-2, General Requirements, GSA is currently synopsizing all procurement actions of $5,000 and above in the CBD. Therefore, if we change from a threshold of $5,000 to $10,000 fewer actions would be synopsized.

3. Require the advertising of all contract modifications that would increase the expenditures by $10,000 or more.

In those cases where a modification to a contract will result in new procurements, we would agree that it should be synopsized in the CBD as a new procurement. However, if the modification is issued under the authority of the changes clause, we would not recommend synopsizing this action in the CBD.

4. Require the advertising of all proposed procurements for personal or professional services.

Currently, the Small Business Act provides an exemption for civil agencies and the Defense agencies from synopsizing proposed procurement for personal or professional services. This exemption notwithstanding, Subpart 1-1.1003(2)(b) of Title 41 of CFR specifies that personal and professional services should be published in the synopsis when it is feasible and practicable and in the best interest of the Government.

6. Require that all synopses by proposed procurements must allow 30 days for response.

It is the normal practice among GSA procurement officials to allow contractors 30 days to respond to a solicitation; however, the authority to reduce this time frame must be available when a situation requires a more timely response.

During the hearing, Congressman Weber inquired about GSA sponsored procurement conferences. We have enclosed for the Committee's review, a copy of a flier which outlines the program for the South West Business Conference GSA will sponsor on August 27-28, 1981.

I hope that this information is helpful. If I can be of any further assistance, please do not hesitate to call.

Sincerely,

RAY KLINE,
Deputy Administrator.

Mr. **LAFALCE**. I do not have any more questions of you, Mr. Carmen. Would you have any questions?

I know all of your time is precious, and I know that, you would, therefore, like to leave.

I would like to say, as a general rule, I would have individuals such as yours up, No. 1, not only first, but as the only witnesses, but I did think it important at this hearing to have at least the three of you, OFPP and GSA and SBA here at the same time, so that you can get a flavor of the type of approach the subcommittee is going to be taking and you could also see the necessity of the various agencies working together.

I had OFPP first, because I really did think that they needed, more than any of the others, a stronger commitment to small business, and we are saving the best for last, which would be, no, no, I am talking about DOD.

We are giving them the full morning and afternoon just to themselves.

Thank you, Mr. Carmen.

Now, I have a few questions for Mr. Cardenas.

Mr. **CARMEN**. Thank you, Mr. Chairman.

Mr. **LAFALCE**. I didn't mean to suggest you weren't the best, but certainly not the last.

There is probably a weakness in Public Law 95-507, at least one, if not a lot more, that the law does not, I don't think, require any report by SBA on followup compliance reviews of subcontracting plans that are conducted by SBA.

You did give a report to our Small Business Committee in March of this year. You noted that there were 212 cases where SBA determined that an agency had accepted a subcontracting plan which had been disapproved by SBA.

What followup has SBA pursued to track these plans and document the final extent of noncompliance by the prime?

Mr. **TEMPLEMAN**. We notify the company of their noncompliance and notify the administrating contracting officer in writing.

Now, up until this point, we have not followed up completely with the agencies to see what the final result is. We will be going out very shortly with requests of each of the Offices of Small and Disadvantaged Business Utilization to ask what the agency has done to follow up.

Once it has passed SBA hands to the agency, it is basically their action to follow it up from there.

Mr. **LAFALCE**. Did SBA forward a copy of the report to the Small Business Committee to the various agencies?

Mr. **TEMPLEMAN**. Yes.

Mr. **LAFALCE**. Of the 212, I note that DOD had more than 150 of those. Would you care to comment on the tremendous number of noncompliance cases stemming from DOD?

Mr. KULIK. First, Mr. Chairman, the 212 that you are talking about are cases in which the subcontracting plan was accepted by the procuring agency, but SBA did not feel it provided maximum practical opportunities for subcontracting.

The fact that there were a greater number of DOD subcontracts, proposed subcontract plans than others, I think is probably a function of our Procurement Center Representatives.

We have our Procurement Center Representatives at the procuring installations that do the most work in large dollar contracts.

Fortunately or not for DOD, they happen to have the most of these installations, and that is where most of our PCR's are located.

Mr. LAFALCE. Whether or not the plans adhere to the law is one thing, and then assuming that the plans do adhere to the law, whether there is compliance with those plans is something else.

Now, 507 does not require a compliance report, and yet, if you are doing your job, you have got to see to it that there is compliance.

Now, how do you see to it that there is compliance, and have you issued any type of report on that issue?

Mr. KULIK. We have employees known as subcontract specialists whose function it is to review compliance by the prime contractors with the subcontracting plans.

Any time a decision is made or a determination is made, that a prime contractor is not in compliance with the plan, the prime contractor is notified in writing as is the contracting officer.

We try to provide in those letters the specific reasons for noncompliance.

Mr. LAFALCE. Mr. Cardenas, OFPP has about 16 task forces right now, and I think SBA is on 3 of them.

Do you, offhand, know the three task forces that SBA is on?

Mr. KULIK. We are on the Task Force on Legislation, Task Force on Policy, and the Task Force on Regulations.

May I add, sir, that we are also a member of the governing group, the Uniform Procurement System Council, and as members of that Council, all of the draft task force reports are given to us.

We received the first draft yesterday. We will be reviewing those and we will give, in writing, our comments to OFPP insofar as we think they adversely affect small business.

Mr. LAFALCE. You know, section 222 of Public Law 95-507, that I made reference to when Mr. Sowle was here, calls upon OFPP to make an analysis of the impact on small business and in establishing this uniform procurement policy regulations, et cetera, to take special cognizance of the needs of small business.

Mr. Sowle disturbed me when he said, in my judgment, most mistakenly, that Public Law 96-83 superseded section 222. That is grievously in error as far as I am concerned. Yet, I think that might really be his mind set, and I really think that SBA has a responsibility to advocate the cause of small business under section 222, and many other sections of the law, with OFPP regarding this very important development that is going to be taking place.

Also, I think that somebody has got to be rendering overall reports of what all the governmental agencies are doing insofar as the small business community is concerned.

Any comment, Mr. Templeman?

Mr. **Templeman**. The Regulatory Flexibility Act for small business which was passed recently, requires, or gives SBA the authority in the advocates' group to review all regulations for their impact on small business.

Mr. **LaFalce**. Well, let's talk about that for a second.

I assumed that the Flex Act, insofar as you are concerned, applies to all governmental agencies.

Mr. **Templeman**. We believe that it applies to all. DOD has taken the position that it does not.

Mr. **LaFalce**. What is your position, that it does apply to DOD?

Mr. **Templeman**. Yes.

Mr. **LaFalce**. We have got a confrontation then within the Administration over the applicability of reg flex to DOD and we will be going into this issue with DOD on Thursday.

Mr. **Cardenas**. At least our Advocacy Department has responded to DOD, saying that they do fall under that regulation, reg flex.

We will be contacting the White House to express our opinion in the next few days.

Mr. **LaFalce**. Very good. Have you written a letter to DOD on that issue?

Mr. **Cardenas**. Yes.

Mr. **LaFalce**. The subcommittee would like a copy of that letter.

Mr. **Cardenas**. That was reported to me this morning, but it is to be given to me later on today.

I have not read it.

[See following correspondence:]

SMALL BUSINESS ADMINISTRATION,
Washington, D.C., December 5, 1980.

DEAR AGENCY OFFICIAL: The Office of Advocacy is pleased to send you a copy of our pamphlet which describes major elements of the recently passed Regulatory Flexibility Act (RFA), Public Law 96-354. The RFA amends the Administrative Procedure Act (APA), adding a new chapter VI, providing for special considerations of small entities in rulemaking and becomes effective on January 1, 1981.

This Act affects every agency in the Federal Government—all executive and independent agencies which propose rules, pursuant to notice to the public.

The Act designates the Chief Counsel for Advocacy to monitor government-wide performance of agencies in regulating "small entities" of all three kinds. The Act requires special treatment in the regulation of small business, small cities and counties, and small voluntary associations, among others.

I request that you designate a Regulatory Flexibility Officer to monitor activities under the Act in your agency and to serve in a liaison capacity with the Office of Advocacy. The officer you designate will hopefully have a solid background in administrative law and also have a firm grasp of your agency's substantitive policies. It is important that you designate such an officer immediately and notify us of your action as soon as possible.

I believe it would be mutually beneficial to discuss the RFA and the concept it embraces, as well as its technical provisions, prior to its effective date. I would like to invite you to such a meeting to be posted by the Office of Advocacy on Wednesday, December 17, 9:30 a.m. in room 214 in the Small Business Administration building at 1441 L Street, N.W.

It is also important that your agency establish an inventory with the trade associations and small entity organizations affected by your regulatons in the past. It would be desirable for you to contact them and advise them on how your agency will provide for their participation in rulemaking as required by the Act.

You may also find it appropriate and beneficial to brief the President-elect's Transition Team assigned to your agency on the urgency and significance of the Regulatory Flexibility Act.

The Act is reprinted in the enclosed pamphlet; I look forward to establishing a meaningful relationship with your agency regarding implementation of the Act.

Sincerely,

MILTON D. STEWART,
Chief Counsel for Advocacy.

Enclosure.

Honorable Bob Bergland, Secretary of Agriculture, Room 200-A, 14th Street and Independence Avenue, S.W., Washington, D.C. 20250 Mr. Secretary.

Honorable Philip M. Klutznick, Secretary, Department of Commerce, Room 5854, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230 Mr. Secretary.

Honorable Harold Brown, Secretary of Defense, Room 3E880, The Pentagon, Washington, D.C. 20301 Mr. Secretary.

Honorable Hans M. Mark, Secretary of the Air Force, Room 4E87, The Pentagon, Washington, D.C. 20330 Mr. Secretary.

Honorable Clifford L. Alexander, Jr., Secretary of the Army, Room 3E718, The Pentagon, Washington, D.C. 20310 Mr. Secretary.

Honorable Edward Hidalgo, Secretary of the Navy, Room 4E686, The Pentagon, Washington, D.C. 20350 Mr. Secretary.

Honorable Robert H. Barrow, Commandant General, United States Marine Corps, Arlington Annex, Columbia Pike and Arlington Ridge Road, Arlington, Virginia 20380 Commandant General Barrow.

Honorable Shirley M. Hufstedler, Secretary of Department of Education, 400 Maryland Avenue, S.W., Washington, D.C. 20202 Ms. Secretary.

Honorable Charles W. Duncan, Jr., Secretary of Energy, 1000 Independence Avenue, S.W., Washington, D.C. 20585 Mr. Secretary.

Honorable Patricia Roberts Harris, Secretary of Health and Human Services, 200 Independence Avenue, S.W., Washington, D.C. 20201 Ms. Secretary.

Honorable Moon Landrieu, Secretary of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410 Mr. Secretary.

Honorable Cecil D. Andrus, Secretary of the Interior, C Street between 18th and 19th, N.W., Washington, D.C. 20240 Mr. Secretary.

Honorable Benjamin R. Civiletti, Attorney General, Department of Justice, Tenth Street, and Constitution Avenue, N.W., Washington, D.C. 20530 Mr. Attorney General.

Honorable Ray Marshall, Secretary of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210 Mr. Secretary.

Honorable Edward Muskie, Secretary of State, 2201 C Street, N.W., Washington, D.C. 20520 Mr. Secretary.

Honorable Neil Goldschmidt, Secretary of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590 Mr. Secretary.

Honorable G. William Miller, Secretary of the Treasury, 15th Street and Pennsylvania Avenue, N.W., Washington, D.C. Dear Mr. Secretary.

DEPARTMENT OF DEFENSE,
OFFICE OF GENERAL COUNSEL,
Washington, D.C., February 25, 1981.

Mr. MILTON D. STEWART,
Chief Counsel for Advocacy,
Small Business Administration,
Washington, D.C.

DEAR MR. STEWART: This is in response to your letters requesting that the Department of Defense designate a Regulatory Flexibility Officer to assist in implementing the Regulatory Flexibility Act, Public Law 96-354, 94 Stat. 1164 (1980). This legislation, an amendment to the Administrative Procedure Act, requires that agencies consider alternative approaches in rulemaking that would tailor a regulation to the size of the business, organization, or government jurisdiction, which is subject to the regulation. The Department of Defense does not engage in any of the rulemaking activities that the Regulatory Flexibility Act was intended to cover. Accordingly, there is no need for the Department of Defense to appoint a Regulatory Flexibility Officer.

Sincerely,

DENNIS H. TROSCH,
Assistant General Counsel (Logistics).

March 20, 1981.

Dennis H. Trosch, Esq.,
Assistant General Counsel, Logistics,
Department of Defense, Washington, D.C.

Dear Mr. Trosch: I am writing in response to your letter of February 26, 1981, concerning the applicability of the Regulatory Flexibility Act, P.L. 96-354 to the Department of Defense.

In your letter you stated that it is unnecessary for DOD to appoint a regulatory flexibility officer since "the Department of Defense does not engage in any rulemaking activities that the Regulatory Flexibility Act was intended to cover." We are unable to understand what you mean by this statement. The language and legislative history of the Act indicate that it is of broad applicability.

Furthermore, under 5 U.S.C. section 612, I am required to ". . . monitor agency compliance . . . and . . . report . . . thereon to the President and to the Committees on the Judiciary of the Senate and House of Representativs, the Select Committee on Small Business of the Senate, and the Committee on Small Business of the House of Representatives." In order to assist me in accomplishing this task, I would appreciate your providing me a more detailed rationale.

If you have any questions please contact Mr. Paul J. Seidman, my Assistant Chief Counsel for Procurement. I look forward to hearing from you.

Sincerely,

A. J. Prendargast,
Acting Chief Counsel, for Advocacy.

Department of Defense,
Office of General Counsel,
Washington, D.C., June 30, 1981.

Mr. **Marshall Parker**,
Acting Chief Counsel for Advocacy,
Small Business Administration,
Washington, D.C.

Dear Mr. Parker: This is in reply to your letter requesting that I elaborate on the views of the Deparment of Defense regarding the Regulatory Flexibility Act. As I stated in my earlier letter, we have concluded that the Department of Defense does not issue any regulations that are subject to the Act.

The Regulatory Flexibility Act established, as a principle governing the issuance of regulations, that agencies will attempt to tailor regulatory and informational requirements to the size of the business or other organization which is subject to regulation. This Act does not, however, apply to all regulations. The Act was designed to minimize the economic impact of rules issued by the regulatory agencies; accordingly, the Act applies only to those rules defined as follows: "[T]he term 'rule' means any rule for which the agency publishes a general notice of proposed rulemaking pursuant to section 553(b) of this title,[5] or any other law . . . ." Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164 (1980) (to be codified in 5 U.S.C. 601(2)). Section 553 of title 5 exempts military and foreign affairs functions of the United States and exempts matters related to agency management, personnel, public property, loans, grants, benefits, or contracts. The Department of Defense does not perform a regulatory function, and the regulations of the Department of Defense come within these exemptions. There is no other law that requires the Department of Defense to publish a notice of proposed rulemaking. Thus, by its terms, the Regualtory Flexibility Act does not apply.

Our reading of the Act is consistent with the intent of this statute that regulatory agencies should seek to avoid unnecessary economic burdens on the public when adopting regulations to protect the health, safety, and economic welfare of the nation. Unlike rules of general applicability issued by the regulatory agencies, the Department of Defense principally deals with the public through its contracting. Our regulations established the procedures and the terms and conditions under which the Department of Defense contracts. Contractors are compensated in the contract price for complying with these terms.

Congress has enacted statutes pertaining to our contracting activities that in many respects parallel the Regulatory Flexibility Act. Through the Small Business Act, the Congress made known its favor for small business, and the Department of Defense has implemented an extensive small business program. Under the Small Business Act, moreover, the Office of Federal Procurement Policy (OFPP) is required to conduct analyses of the impact on small business regulating from revised procurement regulations. The policies adopted by OFPP apply to the contracting of the Department of Defense.

In summary, our conclusion that the regulations issued by the Department of Defense are not of the type contemplated by the Regulatory Flexibility Act does not mean that we do not recognize the needs of small business. Although our regulations are not subject to the Regulatory Flexibility Act, we will continue to accommodate the needs of small business through our small business program.

Sincerely,

DENNIS H. TROSCH,
Assistant General Counsel (Logistics).

Mr. LAFALCE. Let's also talk about DOD a little bit more.

I understand that DOD has given you a considerable amount of difficulty regarding forms 294 and 295, particularly 294, which would deal with compliance with the goals that are established.

I am wondering what the SBA has done in order to insure that 294 is promulgated.

Mr. KULIK. We have taken a very strong stand with OFPP, and with the Office of Small and Disadvantaged Business Utilization of the Department of Defense as to the need for standard form 294.

We have been assured at this time that there is no decision made not to promulgate the form. It is under review by the DAR Council, who have asked for the opinion of the various services on the utility of the form.

Mr. LAFALCE. And has SBA yet rendered its opinion to DAR?

Mr. KULIK. We have given our opinion to various parts of the Department of Defense quite forcefully.

Mr. LAFALCE. This is the Defense Acquisition Regulation Council?

Mr. KULIK. Yes. The Council is made up of representatives of the four Defense subdepartments.

Mr. LAFALCE. Now, what should the role of OFPP be in this? I mean, this is a policy issue, whether or not there should be form 294, it seems to me, and SBA is advocating it.

Does OFPP have the authority at all in your judgment to say that this form must exist and DOD get on the stick? Who speaks for the President on these issues?

Mr. KULIK. I would rather not speculate on what authority OFPP has or what authority they are willing to utilize.

Mr. LAFALCE. This is a rather technical issue, but an important issue, and it is not the level. It is not going to go to the President for a decision. The President is not going to pick up the phone, and say you have got to promulgate 294, and yet, who within the White House, or who below the White House, you know, has the responsibility for insuring that one agency that might be recalcitrant, such as DOD, will toe the line?

We are saying this is our administration's line, and there will be forms 294 and 295, and it will be adhered to and get with it. Get on the team.

Do we know that yet?

Mr. CARDENAS. I don't know.

Mr. LAFALCE. Try to find that out.

Mr. CARDENAS. I am trying to arrange a meeting with Mr. Carlucci.

Mr. LAFALCE. All OFPP said is it is all Mike Cardenas' job. You have a big job, but I don't know that you can speak for the administration. You can speak as one agency within the administration. Maybe Ed Meese can, but I don't know if Ed Meese is into this issue.

I really think the subcontracting provisions of 507 are one of the most important features of the entire procurement law.

They are very, very meaningful.

Mr. LaFalce. On April 3d, you issued a directive to the SBA staff prohibiting contact outside of the SBA with Members of Congress or their staffs without clearance from their office.

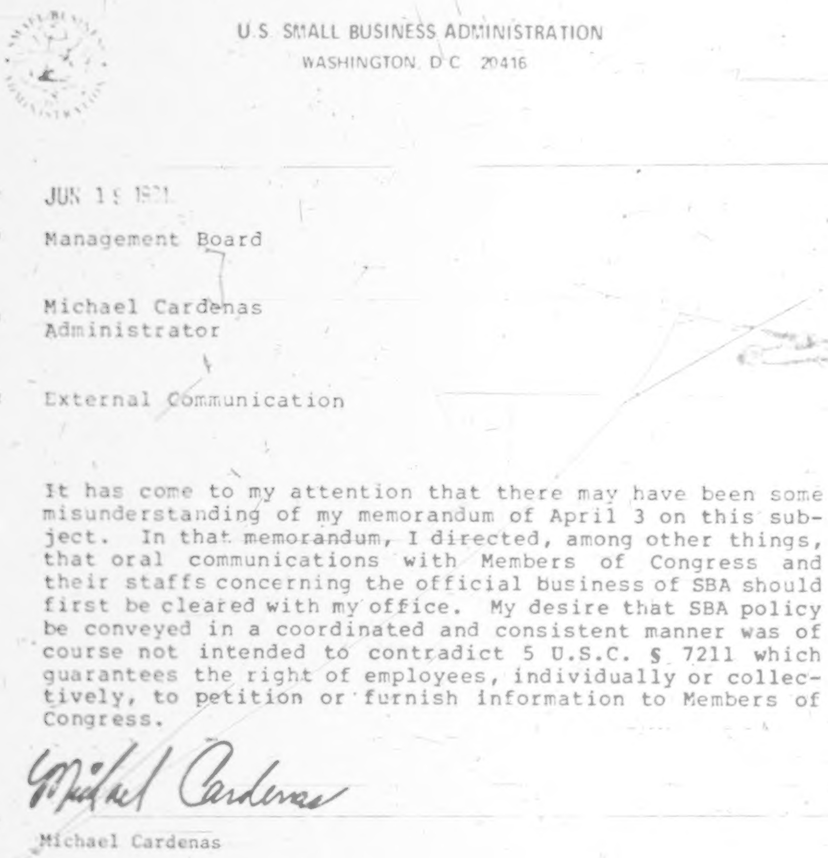
Is that basically correct?

Mr. Cardenas. That is true.

Mr. LaFalce. I would like a little bit more information about that.

Mr. Cardenas. I don't know if you have seen a copy of my June 19, 1981 letter to the management board regarding external communication. I will read it if you like, or submit it for the record.

[Letter referred to above follows:]



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date JUN 1 9 1981

To Management Board

From Michael Cardenas
Administrator

Subject External Communication

It has come to my attention that there may have been some misunderstanding of my memorandum of April 3 on this subject. In that memorandum, I directed, among other things, that oral communications with Members of Congress and their staffs concerning the official business of SBA should first be cleared with my office. My desire that SBA policy be conveyed in a coordinated and consistent manner was of course not intended to contradict 5 U.S.C. § 7211 which guarantees the right of employees, individually or collectively, to petition or furnish information to Members of Congress.

Michael Cardenas

Michael Cardenas

Mr. Cardenas. My sole objective, Mr. Chairman, for issuing the directive was that, I have a very strong desire to carry on business for the agency in as businesslike a manner as possible.

I was applying business principles, so I could keep informed of all activity going on within our agency in communication, so that I might be able to assist them, when they had a serious problem.

I would hate for communication and discussion to be carried on without my knowing what is happening.

I would like to be a working administrator and be aware. It was with no intent of keeping information from you.

Mr. **LaFalce**. Mr. Cardenas, I really think that your April 3d memo which we will also introduce into the record was very poorly worded, very poorly considered.

[April 3 memo referred to above follows:]

SMALL BUSINESS ADMINISTRATION
Washington, D.C., April 3, 1981.

To: Management Board—Central Office.
From: Administrator.
Subject: External communication.

No employee of the Small Business Administration will go outside of the office to speak with Members of Congress or their staffs, give Congressional testimony, speak to organizations or groups, or write articles for publication concerning the official business of the SBA without first clearing same with this office.

Also, any communication with Members of Congress or their staffs should be noted and filed with the Office of Congressional and Legislative Affairs and this office.

It is further directed that all travel plans of an official nature exceeding $200 in total estimated cost or over two days be cleared through my office.

Thanking you in advance for your cooperation in these matters.

MICHAEL CARDENAS,
Administrator.

April 7, 1981. For recirculation.

It appears that the above memoradum was not carefully read and implemented by all.

I urge you all to do so immediately if not already done.

M.C.

Mr. **Cardenas**. Still, it had a business approach to it, though, didn't it?

Mr. **LaFalce**. Poor business approach.

Mr. **Cardenas**. I wouldn't say that. I think that I applied general business principles as we do in almost any accounting office.

Mr. **LaFalce**. There are closed businesses, and there are public businesses, and perhaps this would work in a closed business, but not in a publicly owned business. Government is publicly owned.

You know, if I want to make a phone call to an Associate Administrator within SBA, I don't want that person to feel inhibited about taking my phone call.

Mr. **Cardenas**. Absolutely not, but I would like to be informed of any serious problem that I should be aware of.

Mr. **LaFalce**. You said before the fact, though. They have to have clearance to talk with a Member of Congress, and that is absurd. Perhaps you can say please report any conversations with a Member of Congress to my office. That is one thing.

Mr. **Cardenas**. I would still like to know when they are going to a meeting for any specific problem or purpose.

Mr. **LaFalce**. Suppose that I, as a good Congressman, find out that there is a case problem in my district, and a small businessman is having a problem, and I want to resolve it as I have done, oh, maybe 500 times in the past 6 years, and I want to pick up the phone and talk with the loan officer on a particular case. That is all right.

Mr. **Cardenas**. That is fine.

Mr. LAFALCE. You see, your memo of April 3d wouldn't have said that that is fine. Your memo of April 3d would have said, you need preclearance.

Mr. CARDENAS. It created attention, though, didn't it? It brought a principle to mind, though.

Mr. LAFALCE. You know, Mr. Cardenas, you cannot say there is a point I want to make, and therefore, I am going to engage in overkill to make the point.

You said that no employee of the SBA will go outside of the office to speak with Members of Congress or their staffs, give congressional testimony, speak to organizations, groups, or write articles or publications without first clearing same with this office.

Going outside of the office, I suppose I can understand if you mean if I call up, and I want to discuss technical assistance programs or have somebody in charge of technical assistance to come on over, that person might have to clear it with you first, and that I understand.

But if, for example, my office is on the 13th floor of the Federal Building in Buffalo, and I want to get some information from the manager of the district office who is also on the 13th floor, he ought to be able to go outside of his office to discuss it with me.

If I want to talk to the regional people in New York City, and if any Congressman wants to do this, as a matter of fact, your June 19 letter did take cognizance of the fact that there are certain sections of the law that your letter of April 3, 1981, in my judgment, was in direct conflict with, but in any event, I am glad you have clarified it.

Mr. CARDENAS. I just feel that there are many times that the Congressional Liaison Affairs Department people will be asked questions, and they are not aware of perhaps some brainstorming that is going on in a specific department which can affect your constituency. Just now I am in the process of reviewing all programs and taking a very personal interest in all of them.

If they were going to talk to you on a constituent's problem regarding lending, I would want to tell them what I am thinking about.

Mr. LAFALCE. Mr. Cardenas, a word of friendly advice, I don't know how large that the business was you came from, I think it was the accounting business. I think it was relatively small, but Small Business Administration has how many employees?

Mr. CARDENAS. 4,500.

Mr. LAFALCE. 4,500, and it is going to be difficult for you to know everything that is going on. There is going to have to be delegation.

Mr. CARDENAS. No question about it.

Mr. LAFALCE. I can think of some instances when you were approached directly on certain issues and were unable to get back to the Congressman within a reasonable period of time or at all, whereas had those matters been raised with other members of your Administration, maybe a faster response might have been forthcoming.

Mr. CARDENAS. Right, it was delegated. It didn't work. There is a practicality on both sides.

Mr. **LaFalce**. Let's talk about that directive, though. Was that directive just to members directly under you, or was it also to individuals working within the Office of Advocacy?

Mr. **Cardenas**. To the Management Board, which, although they were not present at that time, well, right, they would be part of the Management Board.

Mr. **LaFalce**. Let's discuss the relationship between your office and the Office of the Chief Council for Advocacy. You mentioned the importance of reg flex, and it seems to me if reg flex is going to be worth its salt, we are going to have a very independent, aggressive, dynamic Office of Advocacy.

What is the status of the Chief Council for Advocacy now?

Mr. **Cardenas**. He has been nominated; he should be confirmed in the very near future.

Mr. **LaFalce**. He will have the ability, after confirmation by the Senate, to take positions on issues that differ from your position—correct?

Mr. **Cardenas**. That is correct.

Mr. **LaFalce**. And he will have the right under the law to take positions that differ from DOD and differ from administration positions?

Mr. **Cardenas**. That is correct.

Mr. **LaFalce**. Is your intent to give that office the freedom to carry out its specific independent mandate under the law?

Mr. **Cardenas**. That is correct; yes. However, that does not preclude us from working together with good communication so that we can function properly, and really benefit the small business community.

I think he needs my help, and I need his.

Mr. **LaFalce**. Fine, so long as there is an understanding that while there is a mutual working relationship that must and should exist, he does have the right to independently advocate the needs of the small business.

So often representatives, even of the SBA, might go along with a position, even though they don't think it is in the best interests of the small business community, but because an overall judgment has been made, and say, OK, this is the administration's position. I just want to make sure that the Chief Council for Advocacy reserves as much independence as he can.

He still has to report to the President of the United States, but that is who he reports to.

Mr. **Cardenas**. Right; I will, with adamancy, stress communication between our offices, because I do not care for a situation of adversity to be created between the Chief Counsel and myself.

Mr. **LaFalce**. All right—understood.

Could one of you comment on the problem as you perceive it with so-called breakouts which perhaps are more often break-ins?

Mr. **Kulik**. We have our technical breakout program expert here; if you would like to pursue specific details, I would like to have him join us at the table.

Mr. **LaFalce**. Fine.

Mr. **Kulik**. His name is Mr. Fett. F-e-t-t.

Mr. **Fett**. Would you repeat the question for me, please?

Mr. LAFALCE. Do you perceive that there is a problem with the so-called breakout program insofar as the small business community is concerned?

Mr. FETT. Yes; I do.

Mr. LAFALCE. Would you explain what that is?

Mr. FETT. Basically, the DOD regulation in our view assigns many codes to spare parts——

Mr. LAFALCE. Pull the mike up.

Mr. FETT [continuing]. To DOD weapons systems and equipment. The DOD engineers are permitted to assign codes which, in effect, rule the type of procurement action that is going to be consummated.

They either are sole-source or restricted procurements in what we feel to be too many cases.

That is an overview of the problem.

Mr. LAFALCE. Well, what can SBA do about that?

Mr. FETT. Within the last year and a half, we have created a pilot program which we call the breakout PCR program. We employ three highly qualified engineers and assign them at three Air Force ALC's throughout the country: San Antonio, Tex., Oklahoma City, Okla., and Warner Robins, Ga.

We are attempting to match engineering expertise with engineering expertise of the services. Thus far, we think the program is doing fine. We have not been keeping records on the breakout savings.

It is a case of not going back and counting the ducks we have shot but continue to work on.

Mr. LAFALCE. Don't you have a number of instances where you can document the fact that breakouts have resulted in significant savings?

Mr. FETT. Oh, yes; there are examples of cases we can provide.

Mr. LAFALCE. Well, could you provide us with a number of examples?

Mr. FETT. Surely.

Mr. LAFALCE. How many examples do you have, roughly?

Mr. FETT. We don't accumulate them in our central office. We can accumulate 50, ranging from small savings to high-dollar-value savings.

Mr. LAFALCE. That can be very important, because I think it is, in order to get this program accepted better, we are going to have to educate the various agencies, particularly DOD, that there is a significant cost saving to be achieved here, and there can be significant benefits to the small business community in the process.

Mr. KULIK. May I also point out that many times the actual savings will not be evident. For example, where our breakout PCR's are operating, the procuring installation, particularly the technical people who assign codes, are going to be thinking twice about assigning restrictive codes to spare parts.

Also, the mere fact that there is competition, as a result of the work of our breakout PCR's, could considerably reduce the price of a spare part, even though it still may be supplied by a big business in open competition. These two factors will not be reflected in direct figures, but we know they are happening as a result of our PCR operations.

Mr. LAFALCE. I take it you are happy with the results of your test project?

Mr. KULIK. Yes, we are.

Mr. LAFALCE. You have said that this test project has resulted in significant achievements. I tend to agree with that.

I would suggest that you might, to the extent that you can, consider expanding it. You have, I think, only four breakout PCR's, and I know they require engineers, and that complicates it, but are you exploring the possibility of expanding this test project?

Mr. TEMPLEMAN. We will look at the results and explore the possibility in a very tight budget constraint, and see if it is effective, and if we can get the personnel to do it, frankly.

Mr. LAFALCE. This offers so much potential for the small business community, that perhaps there is as much potential in this breakout program as there is in the subcontracting program under 507.

It is something that this subcommittee wants to give a lot more attention to in the future. We have really not gone into it very much at all in the past, and so I would be very anxious to see an expansion of this program.

You have 4,500 employees, and only four people in this program, and it should be easy to find a few extra spaces to at least double or triple the program.

Mr. CARDENAS. I assure you, we will not be complacent.

Mr. LAFALCE. At this point in the record, I would like to put in two reports from the Small Business Administration to the Committee on Small Business, one dated March 26, 1981, and one dated May 27, 1981.

[The reports referred to above follow:]

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MAR 26 1981

Honorable Parren J. Mitchell
Chairman
Committee on Small Business
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Pursuant to Section a(d)(11) of the Small Business Act (as amended by Public Law 95-507), enclosed is our Agency's report on subcontracting plans found acceptable by Federal Acquisition agencies, wherein it was determined that the plans did not contain maximum practicable opportunities for small business concerns and concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of contracts described in the subsection.

The report data are based upon submissions from our operating field specialists as explained in the narrative to the report. It seems appropriate to note that major Government acquisition subcontracting policy and regulatory guidance were published by the Office of Federal Procurement Policy in its OFPP Policy Letter 80-2. This policy instruction and detailed regulatory guidance, intended to describe implementation of the subcontracting provisions of Public Law 95-507, was not "effective" until June 1, 1980. More definitive military and civilian procurement regulation followed; e.g., Defense Acquisition Circular 76-24, issued August 28, 1980. As a result of these definitive acquisition publications, it is anticipated that during FY 1981 improvement in the quality of the subcontracting plans will continue, thereby eliminating many of the problem areas found by SBA during FY 1980.

Sincerely,

(Signed) Roger H. Jones

Roger H. Jones
Acting Administrator

Enclosure

Annual Report

Legislative Requirement

Section 8(d)(11) of the Small Business Act requires (following each fiscal year) that the Small Business Administration (SBA) submit to the Senate Select Committee on Small Business and the Committee on Small Business of the House of Representatives a report on subcontracting plans found acceptable by any Federal agency which the Administration determines do not contain maximum practicable opportunities for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals (hereinafter collectively referred to as small business concerns) to participate in the performance of contracts described in the subsection.

Proposed Subcontracting Plan Reviews by SBA

During the early implementation phase of the subcontracting assistance provisions of Public Law 95-507, SBA determined that greater benefit would accrue to potential small business subcontractors if the Administration could review and advise Federal agency officials on the apparent adequacy of proposed subcontracting plans submitted by major prime contractors for eventual incorporation into the Goverment-issued contract. It was the Administration's view that "up-front", pre-award, review of proposed subcontracting plans (as compared to solely post-award reviews) would improve potential subcontracting possibilities for small business concerns. In this fashion we would not only offer our suggestions for improvement of the proposed plan but would also set the stage early in the contracting cycle for encouraging an improved subcontracting program implementation by the Nation's most prominent suppliers.

To implement this approach, SBA established resident status at 52 major Federal acquisition centers. The function of these SBA employees includes the preaward review of proposed subcontracting plans at the resident locations. As a result of these reviews, the cognizant contracting officers are notified of any areas of the plans deemed deficient to enable the negotiation of plan improvement prior to incorporation into the contracts.

During Fiscal Year 1980, SBA reviewed a total of 5,075 proposed subcontracting plans. Of these, 2,423 proposed subcontracting plans were returned to the contracting officers with specific recommendations for improvement. Finally, of the 2,423 initially found unacceptable, the acquisition agencies failed to negotiate improvement in 212 cases resulting in placement of the unimproved plans into the contracts. These 212 plans that were incorporated into contracts constitute subcontracting plans found acceptable by the Federal agency which did not contain maximum practicable opportunities for small business concerns to participate in the performance of the prime contracts. These cases are identified in the tables which follow. Of the 2,423 plans returned for recommended corrective action, it is estimated that approximately 700 remained involved in the contract negotiation/definitization process at the close of FY 1980. In addition, it is possible that some contracting officers were (at the end of this reporting period) delinquent in apprising SBA of the results of final contract actions. The basic procedures for effectuating this review of proposed subcontracting plans are found in Office of Federal Procurement Policy (OFPP) Policy Letters 80-1 and 80-2 and the implementing instructions in the Federal Procurement Regulations (FPR) and Defense Acquisition Regulation (DAR).

Post-contract Award Reviews by SBA

During Fiscal Year 1980, SBA reviewed the subcontracting activities of over 400 major Government prime contractors. A total of 1,654 individual subcontracting reviews were completed; of this number, 1,071 were related to compliance reviews of contracts containing subcontracting plans. Included in these post-award compliance reviews is a survey of the subcontracting plan and a determination by SBA, in instances where the proposed plan was not subject to preaward review, whether the plan contains maximum practicable opportunities for small business concerns to participate in the contract performance. Negative determinations are also included in the tables which follow.

Improvement in Subcontracting Plan Quality

Informally, SBA has noticed the beginning of a general trend toward improvement of subcontracting plan quality. It is apparent, however, that Federal contracting officials must continue to increase their efforts to negotiate plans which contain challenging subcontracting goals as well as provisions which appropriately describe the prime contractor's operation toward implementation of and compliance with the plan's contractually required terms.

The enclosures which follow identify subcontracting plans found acceptable by Federal contracting agencies which were determined (as described above) not to contain maximum practicable opportunities for small and small disadvantaged business concerns to participate in the performance of contracts described in section 8(d)(4) and (5) of the Small Business Act. The appearance of, exclusion from or number of inclusions of any acquisition agency in the enclosed tables may not necessarily reflect on that agency's Fiscal Year 1980 subcontracting plan performance, but may merely be a function of the SBA field coverage as available resources dictated.

Table

Annual Report on

Subcontracting Plans

Explanatory Note: In the data which follow, the column entitled "Subcontracting Plan Problem Area(s)" is coded by numbers 1 through 6. The legend for these number codes is as follows:

1 Goals for small/small disadvantaged business subcontracting
2 Name/duties of subcontracting program administrator
3 Description of subcontracting effort
4 Flowdown subcontracting provisions
5 Reports and studies recital
6 Records recital

Those instances where specific goals are included as reasons for a finding of less than maximum practicable opportunity (code #1) reflect a belief by the SBA reviewer that the prime contractor had not indicated a commitment to maximize subcontracting utilization of small business and/or small disadvantaged business. In most instances it was difficult to accurately ascertain and forecast the probable level of potential small and small disadvantaged business involvement in a given procurement within the available time frame and with the information submitted by prime contractors. OFPP Policy Letter 80-2, which requires submission by prime contractors of information which will substantially assist contracting officers and SBA reviewers in evaluating proposed subcontracting plans, was issued late in the fiscal year and was not incorporated in the DAR until the last month of the fiscal year. Of necessity, therefore, the evaluations contained in this report reflect considerable subjectivity on the part of SBA reviewers. As Policy Letter 80-2 is more fully followed, better information will be made available by prime contractors for the use of contracting officers and SBA reviewers and determinations of maximum practicable opportunity will become more precise.

In addition, some of the plans included in this listing of those that do not provide maximum practicable subcontracting opportunities resulted from advertised procurements. Those plans are marked by an asterisk (*). They are included in this listing if they did not contain or appropriately address the six elements required by Section 8(d)(5) or if the numerical goals did not, in SBA's opinion, reflect maximum practicable subcontracting opportunities. It should be noted, however, that the procuring agency does not have discretion to refuse to accept plans under advertised procurements so long as all the elements are present even though some (e.g., the specific subcontracting goals) may be subject to improvement in SBA's opinion.

AGENCY	CONTRACTOR	PROBLEM AREA						CONTRACT NUMBER
		1	2	3	4	5	6	
Air Force	Boeing Company				4		6	F19628-70-C-0218, P00997, P01026, P01036, P01037, P01041, P01053, P01054, P01056, P01058, P01065, P01080, P01086, P01091, P01109, P01123, P01124, P01130, P01141, P01159 and PK0033, PK0035
Air Force	Martin Marietta Corp.					5		F19628-78-C-0053, P00014
Air Force	Rockwell International		2			5	6	F19628-79-C-0089, P00004
Air Force	General Dynamics					5		F19628-80-C-0087
Navy	Rockwell International					5	6	N00140-79-G-9515-0004
Navy	Peat, Marwick, Mitchell & Co.			3	4	5	6	N00140-80-C-6204
Navy	Tracor, Inc.	1						N00140-80-D-6009
Navy	Ingersoll-Rand	1	2		4	5	6	N00102-80-C-0017
Air Force	Texas Instruments, Inc.	1						F19628-75-C-0155, P00047
Air Force	General Atronics Corp.	1						F19628-80-C-0102
Air Force	Hughes Aircraft Co.	1						F19628-80-C-0126
Air Force	Hughes Aircraft Co.	1						F19628-77-C-0086, P00038

Air Force	Hughes Aircraft Co.	1						F19628-77-C-0086, P00041
Air Force	Hughes Aircraft Co.	1						F19628-77-C-0086, P00042
Air Force	Hughes Aircraft Co.					5		F19628-77-C-0086, PZ0040
Air Force	Raytheon Co.	1						F19628-79-C-0023, P00024
Air Force	Eaton Corp.		2		4			F19628-76-C-0227, P00037
Air Force	Boeing Company				4	5	6	F19628-80-C-0034
Navy	Tracor, Inc.	1						N00140-80-D-6009
Navy	RCA	1						N00140-80-Q-6707
Navy	Tracor, Inc.	1						N00140-79-G-9530-0008
Navy	General Electric	1						N00140-79-G-9518-5
Navy	Raytheon Company	1						N00140-78-G-6021-0052
Navy	Hydrotronics Inc.	1						N00140-78-C-8093, P0006
Navy	Gould Inc.	1						N00140-80-C-6042
GSA	Gulf & Western	1	2	3	4	5	6	GS-00S-16132*

GSA	Litton	1	2	3	4	5	6	GS-00S-16395*
GSA	Ingersol Rand	1	2	3	4	5	6	GS-00S-16406*
GSA	McNaughton Book Service	1	2	3	4	5	6	GS-01S-0733
GSA	Commerce Clearing House	1	2	3	4	5	6	GS-01S-07096
GSA	Philips Electronic Instruments	1	2	3	4	5	6	GS-01S-07256
GSA	Airway Industries	1	2	3	4	5	6	GS-01S-07214*
GSA	Research Institute of America	1	2	3	4	5	6	GS-01S-07125
GSA	Champion Products	1	2	3	4	5	6	GS-01S-07012
Navy	Charles Stark Draper Labs	1						N00030-78-C-0166, PZ0001
Navy	Bath Iron Works	1						N00024-80-C-2025
Navy	Bath Iron Works	1						N62786-70-C-0001, J.O. #9-A00003
Air Force	General Electric	1					6	F09603-78-G-1261-0048
Air Force	Maremont Corporation	1						BOA F09603-78-G2021, DO.0005
Air Force	General Electric	1					6	F09603-78-G-1261-0056

Air Force	General Electric	1					6	F09603-79-G-1569-0033
Navy	General Electric	1					6	N00024-80-C-7147, P.O. 275033
Navy	General Electric	1					6	N00024-79-C-7154, P.O. 167427
Air Force	General Electric	1					6	F09603-78-G-1261-0058, M01
Navy	General Electric	1					6	N00019-75-C-0424, P.O. E02039L
Navy	General Electric	1					6	N00019-75-C-0424, P.O. E92043L
Navy	General Electric	1					6	N00019-79-C-632
Navy	General Electric	1					6	N00019-80-C-0012, P.O. 14-19675
Navy	Fairchild						6	N00019-79-C-0566
Navy	Hazeltine						6	N00019-79-C-0591
Navy	Instrument Systems			3	4	5	6	N00019-80-C-0128, P00001
Air Force	Grumman Corp.		2			5	6	AF40650-80-C-0001, M05
DOC	Grumman Corp.		2		4	5	6	MA-80-SA-C-00002

Navy	Grumman Corp.		2			5	6	N00019-80-C-0069
Navy	EDO Corporation					5	6	N00024-80-C-6080
Army	Chrysler Corp.	1		3			6	DAAK10-79-C-0290,P00006
GSA	Crown Zellerbach	1	2	3	4	5	6	GS-02S-31306
GSA	Crown Zellerbach	1	2	3	4	5	6	GS-02S-31307
Navy	Kaman Aerospace Corporation	1	2	3		5		BOA N00383-80-G-0501-0019
Navy	Kaman Aerospace Corporation	1	2	3		5		BOA N00383-80-G-0501-0038
Navy	Kaman Aerospace Corporation	1	2	3		5		BOA N00383-80-G-0501-0037
Navy	Kaman Aerospace Corporation	1	2	3		5		BOA N00383-80-G-0501-0023
DLA	Mine Safety Appliance Company	1		3		5		DLA-400-80-C-3691
NASA	EG & G/Wash. Anal. Ser. Cnt, Inc.	1						NAS5-26012
Navy	B.F. Goodrich Co.	1						N00104-80C-3766*
DLA	John Morrell & Co.	1	2	3	4	5	6	DLA 13H-80-D-M-562*
DLA	National Beef Packing Co.	1	2	3	4	5	6	DLA 13H-80-D-M557*

DLA	National Beef Packing Co.	1	2	3	4	5	6	DLA 13H-80-D-M553*
NASA	Lockheed Corporation	1						NAS1-16199
NASA	McDonnell Douglas Corporation	1						NAS1-16202
NASA	Sperry Corporation	1						NAS1-16072
DLA	AMF Wyott, Inc.	1	2				6	DLA400-79-C-2032*
DLA	Union Carbide Corp.	1		3				DLA400-80-C-0449*
Navy	Bell Helicopter Textron	1					6	BOA DAAJ09-79-G-0001-GB4U
Navy	Bell Helicopter Textron	1					6	BOA DAAJ09-79-G-0001-GB99
Navy	Bell Helicopter Textron	1					6	BOA DAAJ09-79-G-0001-GB4S
Navy	Bell Helicopter Textron	1					6	BOA DAAJ09-79-G-0001-GB4T
Navy	Bell Helicopter Textron	1					6	BOA DAAJ09-79-G-0001-GB4R
Navy	Lockheed California Co.	1				5		BOA N00383-78-A-8502-1251
Navy	Midland-Ross Corporation	1	2					N00383-80-C-4325
DLA	Exxon	1	2		4	5	6	DLA600-80-D-0383

DLA	Shell Oil	1	2	3	4	5		DLA600-80-D-0388
DLA	Atlas-Processing		2		4	5	6	DLA600-80-D-0378
DLA	Gulf Oil Corp.				4	5		DLA600-80-D-0385
DLA	Mobil Oil Corp.	1	2					DLA600-80-D-0386
DLA	Cities Services Company				4	5		DLA600-80-D-0380
DLA	Atlantic Richfield	1	2			5		DLA600-80-D-0362
DLA	Mobil Oil Corp.		2					DLA600-79-D-0397
DLA	Mobil Chemical Co.		2		4		6	DLA600-80-C-0907*
DLA	Mobil Oil Corp.		2		4		6	DLA600-80-C-0997*
HEW	University Research Corp.	1						271-79-4719
HUD	University Research Corp.	1						H-4306
Navy	Singer Company						6	N61339-79-G-0008, 0003
Navy	Singer Company						6	N61339-79-C-0165
Air Force	Hughes Aircraft Co.					5		F09603-79-G-3894-0014

Air Force	Bell Aerospace Textron	1						F09603-70-G-3218-0001-02
Air Force	Allis-Chalmers Corp.						6	F09603-80-C-1421*
Army	General Dynamics Corp.					5		DAAH01-80-C-0484
Army	Physics International		2				6	DAAH01-80-C-0714
Army	AVCO Everett Research Lab.	1						DAAK40-79-C-0197
Army	AVCO Everett Research Lab.	1						DAAH01-80-C-0208
Army	General Dynamics Corporation	1				5		DAAH01-80-C-0268
Army	Bendix		2			5	6	DAAK40-79-C-0271, P00009
Army	Raytheon Manufacturing Company	1						DAAH01-80-C-0002
Air Force	Hughes Aircraft Co.					5		F09603-79-C-1236-PZ0005
Air Force	Hughes Aircraft Co.						6	F04606-80-G-0029-RJ04, MSN 80-30631
Air Force	TRE Corp.	1				5		F09603-80-C-0757
Air Force	Itek Corp.		2	3		5	6	F09603-79-G-3577-0007, MSN 80-25700
Air Force	RCA Corp.	1		3	4			F09603-80-C-3225

Air Force	Teledyne					5	6	F09603-80-C-3947
Marines	Firestone Industrial Products Co.		2		4			M67004-80-C-0154
Navy	Burtek, Inc.	1	2	3	4	5	6	N61339-79-C-0128
Navy	Singer-Link Company	1	2	3	4	5	6	N61339-80-C-0007
Navy	Chrysler Corporation	1	2	3	4	5	6	N61339-79-C-0187
Navy	Cubic Corporation		2	3		5	6	N61339-80-C-47*
Navy	Singer-Link Company	1		3			6	N61339-79G-0008-0002
Navy	Singer-Link Company	1		3			6	N61339-79G-0008-0003
Navy	Singer-Link Company	1		3			6	N61339-80-C-0026
Army	Harnischfeger	1						DAAE07-80-C-6070*
Army	Chrysler Defense, Inc.	1						DAAE07-80-C-0523
Army	Chrysler Defense, Inc.	1						DAAE07-80-C-0467*
Army	Sperry Vickers	1	2					DAAE07-80-C-0509
Army	FMC Corporation	1	2					DAAE07-80-C-6058*

DLA	Walworth Company						6	DLA700-80C-3892*
Army	Acco Industries, Inc.	1	2	3	4	5	6	DAAE07-80-C-7083*
Army	Eltra Corp.	1						DAAE07-80-C-6003
Army	Chrysler Defense, Inc.	1						DAAE07-80-C-0142, MOD#P00004
DLA	Allis-Chalmers						6	DLA700-80C-8135*
DLA	Allis-Chalmers						6	DLA700-80C-8141*
DOE	General Electric Company	1		3				DE-AC02-78ET-26202, A007
Army	Chysler Defense, Inc.	1						DAAE07-80-C-0051
Army	Donaldson Co., Inc.	1						DAAE07-80-C-A297*
Army	Chrysler Defense, Inc.	1						DAAE07-80-C-B255*
Army	Chrysler Defense, Inc.	1						DAAE07-80-C-B038*
Army	Borg Warner Corp.	1						DAAE07-80-C-B398*
Army	Teledyne Continental Motors	1						DAAK30-80-C-0051
Army	Air Research Mfg Co. of AZ.	1						DAAK30-79-C-0139, MOD#P00004

Army	White Engines, Inc.	1	DAAE07-80-C-5694*
Army	Teledyne Continental Motors	1	DAAE07-80-C-0207
Army	Prestolite Co. 1	1	DAAE07-80-C-7554*
Army	International Harvester Co.	1	DAAE07-80-C-5302*
Army	General Motors Corp.	1	DAAE07-80-C-0057
DLA	Raytheon Corp.	1	DLA-900-80-C-2236
DLA	Raytheon Corp.	1	DLA-900-80-C-2315
DLA	Raytheon Corp.	1	DLA-900-80-C-2319
DLA	Raytheon Corp.	1	DLA-900-80-C-2218
DLA	Raytheon Corp.	1	DLA-900-80-C-2332
TVA	Inryco, Inc.	1	80K74822705*
TVA	Inryco, Inc.	1	80K72-825657*
TVA	Inryco, Inc.	1	80K74-826370*
Navy	Northrop Corp.	1	N00019-79-C0222

Air Force	General Electric Company						6	F34601-80-D-2984
Air Force	Woodward Governor Company	1			4			F34601-79-G-1442 Order 0088
Air Force	General Electric	1					6	F34601-79-G-0215 Order 208
Air Force	Columbus McKinnon Corp.		2					F41608-80-D-0001
Air Force	Norton Company	1			4	5	6	F34601-80-C0148/PZ0001
Air Force	Vought Corporation						6	F34601-80-C-1300
Air Force	E-Systems				4	5	6	F34601-78-C-2932, P00037
Air Force	Bendix Corp.					5		F34601-79-G-1455-SA06
Air Force	Airesearch Mfg. Co. of AZ	1						F04606-78-G-0009-QUVG
Air Force	Airesearch Mfg. Co. of AZ	1						F04606-78-G-0009-QUVF
Air Force	Aero Systems Engineering Inc.	1						F41608-79-C-1940
Army	Johnson Controls	1						DACA63-79-C-0189*
Navy	Intercontinental Mfg. Co.	1						N00600-80-C-4220
Army	Smith,Hinchman,Grylls & Assoc,Inc	1	2	3	4	5	6	DACA45-80-C0004

Air Force	Varian Associates, Inc.	1					6	F42600-80-C-5044
Air Force	Talley Industries of AZ	1		3			6	F42600-80-G-7506-0002
Air Force	Goodyear Aerospace Corp.	1	2				6	F34601-80-C-0201-QP04
Air Force	Martin-Marietta	1		3			6	F09603-80-G-0215-QP06
Air Force	Rockwell International	1					6	F04606-79-G-0044-QP01
Air Force	Rockwell International	1					6	F04606-76-A-0072-QPA3
Air Force	Rockwell International	1					6	F04606-76-A-0072-QPL2
Air Force	TRW/Defense	1	2	3		5	6	F42600-80-C-0001
Air Force	Boeing Company	1			4		6	F42600-79-G-7527-0007
DOI	Montana Bureau of Mines	1						14-08-0001-18772
GSA	Shuford-Mills Inc.	1		3			6	GS-08S-35350*
Air Force	Harris Corp., Gov't Systems Group	1		3		5	6	F42600-80-C-0049
Air Force	Federal-Mogul	1	2	3	4		6	F42600-80-C-0401
Air Force	Sperry Rand Corp.	1						F09603-79-G-0113-QP02

Air Force	American Air Filter Co.	1	2			5	6	F42600-80-C-0226
Air Force	Lockheed-Georgia Co.	1					6	F09603-79-G-0508-QP03
Air Force	Lockheed-Georgia Co.	1		3			6	F09603-79-G-0508-QP01
Air Force	Lockheed-Georgia Co.	1		3			6	F09603-79-G-0508-QP02
Air Force	Westinghouse Electric Corp.	1		3			6	F09603-78-G-0662-QP1E
Air Force	Westinghouse Electric Corp.	1		3			6	F09603-78-G-0662-QP52
Air Force	Westinghouse Electric Corp.	1		3			6	F09603-78-G-0662-QP1M
Air Force	Westinghouse Electric Corp.	1		3			6	F09603-78-G-0662-QP83
Air Force	Airesearch Mfg. Co.	1	2	3	4	5	6	F09606-78-G-0006-QP39
Air Force	Airesearch Mfg. Co.	1	2	3	4	5	6	F09606-78-G-0006-QP40
Air Force	Honeywell, Inc.	1		3			6	F34601-79-G-0220-QP13
Air Force	Raytheon Co.	1		3				F09603-79-G-1358-QP09
Air Force	Varian Associates	1	2	3	4	5	6	F42600-80-C-4080
Air Force	McDonnell Douglas	1		3		5	6	F42600-78-C-0040, P00016

GSA	Sufford-Mills Inc.	1						GS-08S-34814*
GSA	H.P. Hudson Mfg. Co., Inc.	1		3				GS-08S-34601*
DOI	Underground Construction Inc.	1		3				0-07-DC-7398*
GSA	Armco	1						GS-08S-34936*
GSA	Davis Walker	1		3				GS-08S-34955*
DOI	Hitachi America Inc.	1	2	3	4	5	6	0-07-DC-7387
Air Force	Carrier Transicold Co.	1	2	3			6	F42600-80-C-0183, P00001
Air Force	Bendix			3		5	6	F42600-80-G-7501-0001
Air Force	CAI, Div. of Recon/Optical, Inc.	1				5		F42600-80-C-0210
Air Force	Rockwell International Corp.	1				5	6	F04606-76-A-0072-QPP7
Air Force	AVCO Corp.	1	2					F42600-80-C-4685
Air Force	AVCO Corp.	1		3			6	F42600-80-C-4275
Air Force	Bendix					5	6	N00383-79-G-9904-QP22
Air Force	Boeing Co.	1		3			6	F42600-79-G-7527-0004

Air Force	Boeing Co.	1		3			F42600-79-G-7527-0003
Air Force	Boeing Co.	1		3		6	F42600-79-G-7527-0002
Air Force	Lear Seigler, Inc.	1	2	3		6	F42600-77-C-0019-P00057
Air Force	Ford Aerospace	1			4		F04701-77-C-0188, Mod. P00031
DOE	The Garrett Corporation	1					DE-AC05-790R20342
Air Force	Ford Aerospace				4		F04701-77-C-0148,P00145
Army	Canonie-Bultema Pacific Corp.	1					DACW57-80-C-0105*
Army	Canonie-Bultema Pacific Corp.	1					DACW57-80-C-0100*
Army	Peter Kiewit Sons Co.	1					DACW57-80-C-0123*
DOT	Todd Building Company	1					DTCG-33-80-C-00169*
GSA	National Aerosol Products Co.	1					GS-10S-43563*
Army	Ross Island Sand and Gravel Co.	1	2				DACW57-80-C-0093*
DOT	Todd Pacific Shipyards Corp.	1			4		DTCG33-80-C-00209*
Army	Washington Corporation	1					DACW57-80-C-0071*

Air Force	McDonnell Douglas	1					6	N00383-78-A-8504-QPEP
Air Force	McDonnell Douglas	1					6	N00383-78-A-8504-QPF8
Air Force	Olin Corporation	1						F42600-80-C-4260
Air Force	Talley Industries of AZ	1		3			6	F42600-80-G-7506-0003
Air Force	Monogram/Peacock	1	2				6	F42600-80-C-0624
Air Force	Boeing Company	1		3			6	F42600-80-C-0350
Air Force	Boeing Company	1					6	F42600-79-C-0202
Air Force	Bendix Corp.				4	5	6	F42600-80-D-0420
Air Force	BF Goodrich	1	2				6	F42600-80-C-0930
Air Force	BF Goodrich	1		3				F42600-80-C-0202
Air Force	Cleveland Pnuematic Co.	1	2	3			6	F34601-77-A-0187-QP44
DOE	McGraw-Edison	1		3				DE-AC65-80WP-15213*
GSA	Colorado Fuel and Iron	1	2	3	4	5	6	GS-08S-34938
GSA	Colorado Fuel and Iron	1	2	3	4	5	6	GS-08S-34873

Army	Canonie Construction Company	1						DACW57-80-C-0078*
Army	Capital Development Company	1						DACW57-80-C-0079*
Army	M. A. Segale, Inc.	1						DACW57-80-C-0073*
GSA	Devoe & Raynolds Co., Inc.	1	2	3			6	GS-10S-43198*
Army	Arctic Slope Alaska General	1	2	3	4	5	6	DACW85-80C-0008*
DOE	General Electric Company	1	2			5	6	DE-AC79-79BP14688*
DOE	General Electric Co.	1						DE-AC79-80BP-16350*
Air Force	Boeing Company				4		6	F19628-80-C-0007
Air Force	Boeing Company	1			4	5	6	F04704-78-C-0035, CCP.0015
Air Force	Boeing Company				4		6	F19628-79-C-0053
Air Force	Boeing Company	1			4	5	6	F04701-79-C-0087
Navy	Willamette Iron & Steel Co.			3	4		6	N62799-80-C-0021
Air Force	Boeing Company				4		6	C19628-70-C-0218, P01059
DOT	Boeing Company				4		6	DOT-UT-80041

DLA	Carnation	1	3		6	DLA137-80-DN110*
Air Force	Boeing Company	1		4	6	F34601-79-C-2612
Navy	Northwest Marine Iron Works		3	4	6	N62799-70-C-0013, J.O.0046

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MAY 27 1981

Honorable Parren J. Mitchell
Chairman
Committee on Small Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with Public Law 95-507, Section 221, we are pleased to present for your consideration the Fiscal Year 1980 Report on participation in Federal procurement by small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. The report consists of the following five parts:

- Part I is a copy of the Office of Federal Procurement Policy (OFPP) Letter 79-3. This letter contains the original implementing instructions and regulatory guidance for the Federal agency procurement preference program/goaling process for Fiscal Year 1980.

- Part II contains Small Business Administration's analysis of and appropriate comments on procuring agency achievements against goals established for prime contracts to small business valued at $10,000 or more.

- Part III contains SBA's analysis of and appropriate comments on achievements against goals established for small business subcontract awards.

- Part IV contains SBA's analysis of and appropriate comments on achievements against goals established for business concerns owned and controlled by socially and economically disadvantaged individuals. Part IV is further subdivided into awards made under Section 8(a); subcontract and prime contract awards.

- Part V contains copies of letters from Federal agencies which reported achievements against goals established for Fiscal Year 1980 and the reasons for shortfalls, as appropriate. For your convenience these letters are arranged in alphabetical order.

Please note we have restricted our analyses and comments to the top 22 Federal agencies. We believe this was both a prudent and practical decision because these 22 agencies represent approximately 99% of the Federal procurement budget based on data prepared by the Federal Procurement Data Center. The remaining Federal agencies and associated procurement dollars are aggregated in the "All Other" lines in Parts II, III and IV.

Should your staff desire further information on enclosures, please contact Mr. Bernard Kulik, Associate Administrator for Procurement Assistance, telephone number 653-6635.

Sincerely,

(Signed) Michael Cardenas

Michael Cardenas
Administrator

Enclosures

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

7 SEP 1979

Policy Letter 79-3

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

Subject: Goal Setting

On October 24, 1978, the President signed into law Public Law 95-507 amending the Small Business Act and the Small Business Investment Act of 1958. Section 221 of Public Law 95-507 requires the head of each Federal agency after consultation with the Small Business Administration to establish realistic goals and report their achievement in awarding contracts of $10,000 or more to small business concerns and to small business concerns owned and controlled by socially and economically disadvantaged individuals.

As provided in P.L. 95-507, the goals shall be jointly established by the Head of the Agency and SBA and whenever they fail to agree on established goals, the disagreement shall be submitted to the Administrator of the Office of Federal Procurement Policy for final determination.

The purpose of this Policy Letter is to transmit uniform policy guidance, set out in the attachment issued by the Small Business Administration, for establishing such goals.

This policy is effective immediately. For further information, contact:

Edward Odell, Deputy Director
Office of Procurement and Technical Assistance
Small Business Administration
Washington, DC 20416
(202) 653-6332

James D. Currie
Acting Administrator

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

AUG 31 1979

Mr. James D. Currie
Acting Administrator
Office of Federal Procurement Policy
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Currie:

Enclosed herewith is a policy directive to the various Federal agencies responsible for promulgating procurement directives. In accord with discussions between our respective staff personnel and in which I understand you participated, the enclosed document, when issued by the Office of Federal Procurement Policy as a directive, will serve to implement Section 221 of Public Law 95-507 which added new subsections to Section 15 of the Small Business Act.

Sincerely,

A. Vernon Weaver
Administrator

Enclosures

GOALS FOR PROCUREMENT AWARDS TO SMALL AND SMALL DISADVANTAGED BUSINESSES

The head of each Federal agency having procurement powers shall submit to the Administrator of the Small Business Administration by the end of the first quarter of each fiscal year:

(1) an estimate of the total dollar amount of all prime contracts having a value of $10,000 or more to be awarded by the close of the current fiscal year;

(2) a goal for prime contract awards valued at $10,000 or more to be made to small business concerns during the current fiscal year expressed as a percentage of the estimated total dollar amount of prime contracts to be awarded by the close of the current fiscal year;

(3) a goal for prime contract awards having a value of $10,000 or more to be made to the Small Business Administration under the authority of Section 8(a) of the Small Business Act as amended by Public Law 95-507 expressed as a percentage of awards to be made to small business in (2) above;

(4) a goal for prime contract awards having a value of $10,000 or more to be made to small concerns owned and controlled by socially and economically disadvantaged individuals under authority other than Section 8(a) of the Small Business Act expressed as a percentage of awards to be made to small business in (2) above;

(5) The combined goals for prime contract awards in (3) and (4) above expressed as a percentage of the estimated total dollar amount of prime contracts to be awarded by the close of the current fiscal year;

(6) an estimate of the total dollar amount of the prime contracts to be awarded during the current fiscal year which will require the prime contractor to establish goals for subcontract awards to small business and to small businesses owned and controlled by individuals who are socialy and economically disadvantaged;

(7) a goal for subcontracts to be awarded by prime contractors to small business in order to meet contractually established goals expressed as a percentage of (6) above;

(8) a goal for subcontracts to be awarded by prime contractors to small businesses owned and controlled by socially and economically disadvantaged individuals in order to meet contractually established goals expressed as a percentage of (6) above; and,

(9) a brief outline to the methods, processes and data used to

establish the goals in paragraphs (2), (3), (4), (6), (7), and (8) above.

The Administrator of the Small Business Administration shall, within 30 days of receipt of the goals, respond to each agency expressing agreement or indicating reasons for disagreement if interagency consultation fails to resolve differences. Such cases of disagreement shall be submitted by the Administrator of the Small Business Administration to the Administrator of the Office of Federal Procurement Policy for final determination.

REPORTS ON AGENCY ACHIEVEMENTS AGAINST ESTABLISHED GOALS

A. The head of each Federal agency having procurement powers shall report annually to the Administrator of the Small Business Administration on the extent of participation by small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals in procurement contracts of the agency valued at $10,000 or more. Additionally, such reports shall account for achievements against previously established goals for the awarding by prime contractors of subcontracts against contractually established goals to (1) small business concerns and (2) small business concerns owned and controlled by individuals who are socially and economically disadvantaged. The foregoing reports shall be submitted no later than the end of the first quarter of the fiscal year following the fiscal year being covered by the report. Each report shall indicate:

(1) the total dollar amount of all prime contracts awarded having a value of $10,000 or more;

(2) the percentage of (1) above awarded to small business concerns;

(3) the percentage of (1) and (2) above awarded to small concerns owned and controlled by socially and economically disadvantaged individuals. This should be broken down to indicate (a) the percentage awarded to the Small Business Administration under the authority of Section 8(a) of the Small Business Act and (b) awarded to small concerns owned by individuals who are socially and economically disadvantaged under authority other than Section 8(a) of the Small Business Act;

(4) the total dollar amount of prime contracts awarded on contracts requiring the prime contractor to establish contractually covered goals for awarding subcontracts to (a) small business and (b) small businesses owned and controlled by individuals who are socially and economically disadvantaged;

(5) the percentage of (4) above awarded to small business concerns;

(6) the percentage of (4) and (5) above awarded to small business concerns owned and controlled by individuals who are socially and economically disadvantaged;

(7) a comparison of achievements against established goals with explanatory comments concerning the differences.

B. The Administrator of the Small Business Administration shall submit to the Select Committee on Small Business of the Senate and the Committee on Small Business of the House of Representatives information obtained from such reports, together with appropriate comments.

SBA SUMMARY/ANALYSIS/COMMENTS ON FY 1980 TOTAL SMALL BUSINESS PRIME CONTRACT AWARD ($10,000 AND OVER) GOALS JOINTLY ESTABLISHED FOR INDIVIDUAL FEDERAL PROCURING AGENCIES

(DOLLARS 000's)

	Initial Projections by Federal Agency			Jointly Established Final Projections			Actual Achievement by Federal Agency		
	Estimated Total Procurement Volume Awards $10,000-Over $	Proposed $	Goal %	Estimated Total Procurement Volume Awards $10,000-Over $	Established $	Goal %	Total Procurement Volume - Awards $10,000 and Over $	Small Business Share $	Small Business Share %
Dep of Defense	58,700,000	10,100,000	17.2	58,700,000	11,153,000	19.0 1/	60,922,610 2/	10,632,384 2/	17.5
Dep of Energy	7,400,000	402,500	5.4	7,400,000	402,500	5.4	8,602,370	365,694	4.3
NASA	4,359,000	286,000	6.6	4,356,900	309,340	7.1	4,393,891	325,892	7.4
GSA	1,989,514	800,000	40.2	1,989,514	960,935	48.3	2,157,674	817,758	37.9
Tennessee Valley Authority	1,920,000	710,400	37.0	1,920,000	710,400	37.0	980,600	200,800	20.5
Veterans Administration	850,000	382,500	45.0	850,000	391,000	46.0	1,386,977	439,921	31.7 3/
Dep of Interior	1,567,024	570,956	36.4	1,567,024	719,264	45.9	1,316,346	684,455	52.0 4/
Dep of Agriculture	1,524,961	695,739	45.6	1,524,961	1,036,973	68.0	2,166,942 5/	1,247,242 5/	57.6 5/
Dep of Transportation	1,500,000	400,000	26.7	1,500,000	504,000	33.6	1,336,000	488,000	36.5
Dep of HEW	1,414,161	329,979	23.3	1,414,161	329,979	23.3	1,483,632 6/	360,528 6/	24.3 6/
Dep of Commerce	357,000	142,800	40.0	357,000	149,900	42.0	226,291	96,813	42.8
Dep of Labor	375,000	93,750	25.0	318,750	95,600	30.0	332,804	102,391	30.8
EPA	300,000	116,100	38.7	300,000	116,100	38.7	362,407 7/	145,900 7/	40.3 7/
Dep of Treasury	220,000	44,000	20.0	270,000	44,550	16.5	252,000	74,000	29.4
AID	272,107	43,941	16.1	227,000	44,500	19.6	236,270	47,175	20.0
Dep of Justice	155,300	48,700	31.4	155,300	57,461	37.0	235,093 8/	85,529 8/	36.4
Dep of HUD	206,000	109,200	53.0	206,000	114,536	55.6	169,967 9/	103,404 9/	60.8
Dep of State	50,000	20,000	40.0	50,000	22,500	45.0	57,787	30,050	52.0
National Science Foundation	163,606	1,250	0.7	163,606	3,500	2.1	155,273	4,048	2.6
FEMA	45,727	13,381	29.3	45,727	13,381	29.3	133,316	37,092	27.8
ICA	35,000	7,000	20.0	35,000	7,245	20.7	14,117	4,341	30.8
SBA	19,000	14,250	75.0	19,000	15,400	81.0	19,800	15,200	76.8
TOTALS:	83,423,400	15,332,446	18.4	83,369,943	17,202,164	20.6	86,942,167	16,408,617	18.9

NOTES:

1/ Percentage goal assigned to DoD by the Administrator, Office of Federal Procurement Policy (OFPP). The dollar award figures from which the 19.0% goal was derived, and established by OFPP, do not include several categories of DoD procurement requirements (i.e., for: Federal Supply Schedule orders; foreign military sales requirements: work performed outside the U.S./contracted for by DoD purchasing activities within the U.S.; requirements awarded to nonprofit and educational institutions; various transportation services; and nonappropriated fund purchases), for which the first four listed categories above totalled $15.9 billion in FY 1980 procurement contract awards individually exceeding $10,000 in value; no award data available within SBA on the latter two categories of requirements. The Administrator, OFPP authorized the DoD this exception from P.L. 95-507 Section 221(g) and uniform Federal policy (OFPP Policy Letter 79-3) requirements for inclusion of all procurement contract awards valued at $10,000 or more in annual small business award goals jointly established between Federal agency heads and the Administrator, SBA. (The SBA recommended to both the DoD and the Administrator, OFPP that all of these excepted procurement contract categories should be included for goaling purposes, but the recommendation was not accepted.)

2/ Final award figures as officially published February 12, 1981, by the agency, rather than rounded amounts in the DoD year-end letter report of January 16, 1981.

3/ Corrected percentage figure extrapolated from agency's SF-37/37a procurement statistical reports for FY 1980; agency's year-end letter report figure (36.3%) incorrectly calculated.

4/ Corrected percentage figure; agency's year-end letter report figure (51.9%) incorrect.

5/ Corrected dollar and percentage figures extrapolated from agency's SF-37/37a procurement statistical reports for FY 1980; agency's year-end letter report figures ($2,071,305; $1,147,292; and 54.4%, respectively) incorrectly calculated.

6/ Consolidated figures from year-end letter reports by Departments of Health and Human Services (HHS) and Education; single FY 1980 goal was jointly established with DHEW before the split of that agency which necessitates consolidation of award figures for FY 1980 performance evaluation purposes. (Total procurement volume figure for Department of Education - $213,116,000 - furnished by telephone; figure inadvertently omitted in agency's year-end letter report of January 16, 1981. Also, dollar "goal" figure cited in year-end letter report by HHS apparently an internal one, as HHS was functional only part of FY 1980 and a joint annual goal in accordance with P.L. 95-507 therefore was not established with that agency.)

7/ Dollar figures furnished by telephone; inadvertently omitted in agency's year-end letter report. Corrected percentage figure; supersedes figure (41%) shown in agency's year-end letter report.

8/ Total procurement volume and corrected small business share figures furnished by telephone.

9/ Corrected figures extrapolated from agency's SF-37/37a procurement statistical reports for FY 1980; agency's year-end letter report figures incorrectly calculated.

SBA SUMMARY/ANALYSIS/COMMENTS ON FY 1980 TOTAL SMALL BUSINESS PRIME CONTRACT AWARD ($10,000 AND OVER) GOALS JOINTLY ESTABLISHED FOR INDIVIDUAL FEDERAL PROCURING AGENCIES

	Jointly Established Goal %	Agency Achievement Rate %	Synopsis of Federal Agency's Explanation of Failure to Achieve Established Goal	SBA Comments on Federal Agency's Explanation of Failure to Achieve Established Goal
Dep of Defense	19.0	17.5	DoD shortfall of 1.5%, which equates to $913.8 million, in the subject small business prime contracting category was not specifically addressed/explained by the Agency in its year-end report of January 16, 1981 to the Administrator, SBA. The DoD report speaks only to a $205 million "shortfall" in performance against an internal, single dollar goal ($13.8 billion) unilaterally established for the combined total value of both $10,000-and-below small purchase and over-$10,000 prime contract acquisitions, which the Agency solely attributes "... to the inordinate amount of time and effort expended in support of the small disadvantaged business program particularly, the Small Business Administration's Pilot Program established by Public Law 95-507." Only $19.3 million in awards were made under the cited Pilot Program, which "... impacted adversely on the Army's small business...program which greatly influences the overall DoD performance," according to the Agency's report.	Lacking an explanation from the DoD for its failure to achieve the formally established (in accordance with P.L. 95-507 as implemented in the uniform Federal policy published July 10, 1980 by the Administrator, Office of Federal Procurement Policy) FY 1980 goal in subject awards category, the SBA is effectively precluded from offering meaningful analysis/comments relative thereto. The DoD's quoted explanation of a $205 million shortfall in performance against the Agency's internally established total (including $10,000-and-under) small business prime contracting dollar goal of $13.8 billion is considered highly questionable, at best, by the SBA. This $13.8 billion goal, first of all, presumably was established on the basis of the DoD's total prime contract awards projection of $62.4 billion for FY 1980 (which would constitute a ratio goal of 22.1%). Actual total prime contract awards, including $10,000-and-under small purchases, reportedly were $66.7 billion or $4.3 billion above the projection upon which the DoD initially developed its $13.8 billion goal. The $13.6 billion actually awarded to small business equates to a share ratio of 20.4% or 1.7% less than the calculated 22.1% share projection, which therefore more realistically would represent a shortfall of $1.1 billion rather than the $205 million amount reported by the Agency. Moreover, regardless of the amount of the shortfall, we are at a complete loss to understand how "... only $19.3 million in awards" under the Pilot Program would have "... impacted adversely on the Army's small business...(prime contracting) program which greatly influences the overall DoD performance." Acquisition requirements which, significantly, the SBA (vis-a-vis the Army) identifies as suitable for contracting with small disadvantaged businesses under the Pilot Program generally are commodities that, if not awarded to small disadvantaged firms, otherwise can be supplied by nondisadvantaged small businesses. Consequently, in either case the award value of virtually all such requirements would be reported as small business prime contracting dollars, thus impacting only negligibly, if at all, on the Agency's total small business prime contracting performance record.

SBA SUMMARY/ANALYSIS/COMMENTS ON FY 1980 TOTAL SMALL BUSINESS PRIME CONTRACT AWARD ($10,000 AND OVER) GOALS
JOINTLY ESTABLISHED FOR INDIVIDUAL FEDERAL PROCURING AGENCIES

	Jointly Established Goal %	Agency Achievement Rate %	Synopsis of Federal Agency's Explanation of Failure to Achieve Established Goal	SBA Comments on Federal Agency's Explanation of Failure to Achieve Established Goal
Dep of Energy	5.4	4.3	DOE rationale for the 1.1%, which equates to $96.6 million, shortfall in attaining its goal is that, "... a very substantial portion of our program involves buys of goods and services for which it either is simply not possible to locate small business vendors, or for which small business can only meet peripheral requirements. Examples include such commodities as zirconium, berylium and other 'non-option' weapons grade materials, nuclear cores, purchase of electrical power for our nuclear production facilities, high energy physics research, crude oil for reserve storage, hydroelectric power production, extremely sophisticated techniques of coal gasification, etc."	The SBA does not question that small business concerns may not exist or possibly are quite limited in number for given commodity requirements of the DOE, including certain of those cited as examples in the Agency's year-end report. Presumably, however, the DOE was fully cognizant of the limited small business potential for these particular commodity requirements at the time (February 1980, or approximately five months into the fiscal year) joint agreement on the Agency's FY 1980 goal of 5.4% was reached with the SBA. Therefore, unless the DOE's actual FY 1980 procurement volume of the cited commodities substantially exceeded projected buy requirements at the time the FY 1980 goal was developed, concerning which the SBA possesses no quantifying data, we believe the Agency's failure by such a significant amount ($94.6 million) to achieve its goal most likely is primarily attributable, agencywide, to the types of small business program matters identified under Conclusions and Recommendations in the U.S. Comptroller General's Report to the Chairman, Select Committee on Small Business, United States Senate, (EMD-80-119) of September 29, 1980, entitled "Small Business Participation in the Department of Energy's Solar Energy Programs."
General Services Administration	48.3	37.9	GSA attributes failure, by 10.4% which equates to $224.4 million, to achieve its FY 1980 goal primarily to (1) a furniture procurement moratorium, and (2) inability of American Motors Corporation (the only small business manufacturer of standard passenger vehicles) to meet the Government's minimum miles-per-gallon fuel consumption requirements, which prevented the firm from participating in GSA automotive procurements.	Both factors cited by the GSA undoubtedly were responsible for significant adverse impact on the Agency's FY 1980 achievement record, as together the two commodities identified historically have accounted for prime contract awards to small business annually valued in the tens of millions. These same two factors are expected to adversely impact upon the Agency's small business prime contracting performance in FY 1981, also, by approximately $115 million total according to earlier GSA projections. On this basis we estimate the extent of impact upon the Agency's FY 1980 performance attributable to unanticipated reductions in furniture and automotive awards to small firms, to approximate $100 million or about 45 percent of the GSA's total $224.4 million shortfall in performance against its assigned goal. Lacking an accounting by the GSA for the remaining 55 percent (approximately $125 million), we are effectively precluded from offering meaningful analysis/comments relative thereto.

SBA SUMMARY/ANALYSIS/COMMENTS ON FY 1980 TOTAL SMALL BUSINESS PRIME CONTRACT AWARD ($10,000 AND OVER) GOALS
JOINTLY ESTABLISHED FOR INDIVIDUAL FEDERAL PROCURING AGENCIES

	Jointly Established Goal %	Agency Achievement Rate %	Synopsis of Federal Agency's Explanation of Failure to Achieve Established Goal	SBA Comments on Federal Agency's Explanation of Failure to Achieve Established Goal
Tennessee Valley Authority	37.0	20.5	TVA attributes failure, by 16.5% which equates to $161.8 million, to achieve its FY 1980 goal, to "... the reduction in the amount of coal procurement."	We note that the TVA's FY 1980 total procurement expenditure was $980.6 million, or only 49% of the projected expenditure ($1.92 billion) upon which the Agency goal was established. A very significant reduction in coal procurements, apparently in the neighborhood of $900 million-plus, reportedly accounted for the difference. The record available within SBA discloses that approximately one-third to one-half of all TVA coal purchases each year traditionally have been made from small business. On this basis, and assuming the $900 million-plus difference between projected and actual expenditures in FY 1980 is almost entirely associated with anticipated coal purchases which failed to materialize, this single factor appears to provide a reasonable accounting for the TVA's inability to achieve its FY 1980 goal in subject contracting category.
Veterans Administration	46.0	31.7	VA attributes failure, by 14.3% which equates to $198.3 million, to achieve its FY 1980 goal, in somewhat general terms as being (1) "... almost exclusively the result of our Office of Construction awards..." involving a "... substantially increased magnitude of individual (major) construction projects which precluded consideration of small business set-asides;" and (2) to "... constraint upon our ability to award prime contracts to small business firms... for radiological equipment" resulting from "... a recent trend of small business concerns merging or otherwise ceasing business in the production of radiological equipment, primarily with respect to Computerized Tomography (CAT) units."	SBA records of the FY 1980 goal coordination process with the VA do not include statistical data which disclose a breakout of the total and total small business award projections for construction projects or other individual commodies, upon which the Agency's overall 46.0% goal was initially established. The lack of pertinent data and information in this regard precludes meaningful analysis and commentary by the SBA on the VA's quoted explanation for failing to achieve its established prime contracting goal in FY 1980. We nonetheless must question an aspect of the VA's explanation regarding the extensive adverse impact attributed to contract awards, presumably to large business, for construction projects. The Agency's year-end letter report seems to imply that these apparently major projects were unanticipated and therefore not taken in consideration when the 46.0% goal figure was developed/established, which occurred near the mid point of FY 1980. Individual construction projects, especially those of such magnitude as to be declared not susceptible to small business set-aside contracting procedures, require Congressional approval/funding on a line item basis during the annual Federal budget process and therefore generally are (at least) planned by

SBA SUMMARY/ANALYSIS/COMMENTS ON FY 1980 TOTAL SMALL BUSINESS PRIME CONTRACT AWARD ($10,000 AND OVER) GOALS
JOINTLY ESTABLISHED FOR INDIVIDUAL FEDERAL PROCURING AGENCIES

	Jointly Established Goal %	Agency Achievement Rate %	Synopsis of Federal Agency's Explanation of Failure to Achieve Established Goal	SBA Comments on Federal Agency's Explanation of Failure to Achieve Established Goal
				individual agencies well in advance of mid-year in which the awards are to be let. Any peculiarities in this regard which may have been associated with the VA projects in question are not explained in the Agency's year-end letter report. Thus we are at a loss to understand this aspect of the VA's explanation for failing, by a substantial margin, to achieve its FY 1980 goal in subject contracting category.
Dep of Agriculture	68.0	57.6	DOA attributes failure, by 10.4% which equates to $229.7 million, to achieve its FY 1980 goal to the Agency's inability to award a greater share of food commodity purchases, e.g., School Lunch Program requirements, to small business. Food commodity purchases accounted for 74.2% ($1.54 billion) of the DOA's total prime contracting expenditure in FY 1980, and the Agency reportedly was able to locate/identify small business sources for only 52% of the total dollars expended for requirements of this single commodity.	SBA records of the FY 1980 goal coordination process with the DOA do not contain statistical data which disclose a breakout of the total and small business award dollar projections for food (or any other) individual commodity purchases upon which the Agency's overall goal was initially established. Meaningful commentary by the SBA on the DOA's detailed explanation for failing to achieve its prime contracting goal therefore is essentially precluded. However, we consider it worthy to note for the record that the Agency appears to have conducted a relatively thorough analysis and identification of small business interests, participation and supply capabilities for its principle contracting requirements. Such information and statistics, at face value tend to indicate that, in retrospect a 68.0% goal may have been an overly ambitious target for FY 1980, but more importantly the Agency's detailed analysis and findings have surfaced several areas wherein Agency management's attention and efforts should and presumably will be primarily directed to maximize awards to the small business sector in the future. Thus, an aim of P.L. 95-507 Section 221(g), we believe has been well served in this instance.

SBA SUMMARY/ANALYSIS/COMMENTS ON FY 1980 TOTAL SMALL BUSINESS PRIME CONTRACT AWARD ($10,000 AND OVER) GOALS
JOINTLY ESTABLISHED FOR INDIVIDUAL FEDERAL PROCURING AGENCIES

	Jointly Established Goal %	Agency Achievement Rate %	Synopsis of Federal Agency's Explanation of Failure to Achieve Established Goal	SBA Comments on Federal Agency's Explanation of Failure to Achieve Established Goal
Dep of Justice	37.0	36.4	DOJ advanced no particular explanation for (just barely) failing, by 0.6% which equates to $1.4 million, to achieve its FY 1980 goal.	The narrow margin by which the DOJ failed to achieve its FY 1980 goal is rendered even less significant by the fact that, based upon empirical data records, the Agency's achievement rate of 36.4% in FY 1980 represents substantial improvement over its performance in the two preceding annums, i.e., 32.3% in FY 1979 and 33.6% in FY 1978, in the subject prime contract awards category.
Federal Emergency Management Agency	29.3	27.8	FEMA attributes failure, by 1.5% which equates to $2.0 million, to achieve its total small business prime contract awards goal to the Agency's brief existence at the time FY 1980 goals were established and the attendant difficulties in accurately projecting expenditures by contracting category.	We are in full accord with the Agency's position that near achievement of the established goal is, under the cited circumstances, reasonable.
Small Business Administration	81.0	76.8	SBA attributes failure, by 4.2% which equates to $0.8 million, to "... the large preponderance of procurement acquisitions for ADP equipment that only large firms can supply."	Considering the relatively minimal shortfall ($0.8 million) against the highest goal (81.0%) established for any Federal procuring agency, and particularly in the light of an apparently larger expenditure than initially anticipated for the cited ADP equipment, the SBA's FY 1980 performance in subject contracting category is deemed adequate.

FY 1980 FEDERAL AGENCY SMALL BUSINESS SUBCONTRACTING PERFORMANCE VERSUS GOALS ESTABLISHED JOINTLY WITH SBA

APPLICABILITY

The summary contained in the following paragraphs is applicable to only those Federal agencies that projected a total agency procurement for FY 1980 in excess of $10,000,000. Those agencies, totalling 22 in number, are listed in the statistical data tabulation attached.

FISCAL YEAR 1980 SUBCONTRACTING GOALS

The instructions for establishing a goal for subcontracting to small business concerns during FY 1980, contained in Policy Letter 79-3, as published by the Office of Federal Procurement Policy, required each Federal agency to establish an estimate of the total dollar amount to be awarded during the year in prime contracts which would require the prime contractor to establish goals for subcontract awards to small business concerns. The goal for subcontracting to small business concerns was then expressed as a percentage of that estimate. Under the instructions established, Federal agency goal-setters were faced with several problems:

- In many cases agencies found that the Standard Form 37 subcontracting data required to be reported to the General Services Administration for inclusion in the Report of Procurement by Civilian Executive Agencies was either not collected from prime contractors or was erroneous (or incomplete) as reported to GSA.

Agencies found a complete lack of empirical subcontracting data relating to contracts for $1,000,000 or more for construction contracts and $500,000 or more for others.

- Agencies were uncertain concerning how to determine whether prime contracts, requiring a goal for subcontracting to small business concerns by the dollar value criteria, would, in fact, be awarded to large business concerns and not to small business concerns (which are exempt from the requirement to establish a contractual subcontracting goal).
- Agencies had to determine with some degree of accuracy, whether prime contracts meeting the dollar value criteria would offer subcontracting possibilities and, if so, to what extent.
- Agencies were required to determine with some degree of accuracy, the extent to which any contractor receiving the award of one or more prime contracts meeting the dollar value criteria, would subcontract rather than make the item required (or perform the service required) in house.

The goals for subcontracting, as jointly established with SBA (the "Joint Subcontracting Goal" on the attached statistical data tabulation), reflect the recognition by SBA and each agency concerned of the problem areas cited. Both parties tacitly agreed that the method of establishing the goal for FY 1980 and the errors possible in making the several estimates required, could result in over or understatements when compared to year-end performance data. Both parties believed that empirical subcontracting data applicable to FY 1980 procurements would be developed by each Federal agency concerned and would be available for use in establishing subcontracting goals for FY 1981. Also, it was recognized that the instructions for developing agency goals for subcontracting should not be predicated on estimates of contracts that might require contractual subcontracting goals, nor, should they be predicated on estimates of a prime contractor's activities concerning subcontracting on those contracts that require subcontracting goals. Consequently, individual Federal agency subcontracting goals for FY 1980, as listed under the column heading "Joint Subcontracting Goal" on the attached statistical data tabulation, were accepted by SBA as jointly established goals. In addition, recommendations were made to the Office of Federal Procurement Policy to revise the instructions for establishing Federal agency subcontracting goals for FY 1981.

FY 1980 SUBCONTRACTING PERFORMANCE

The total dollar amount of all projected subcontracting bases (i.e., dollar amount of all prime contracts requiring contractual subcontracting goals) for the 22 Federal agencies listed on the attached statistical data tabulation, was $61,863,768,000. The total dollar amount of all dollar goals for subcontracting to small business concerns, as established by each of those Federal agencies, was $12,592,375,000, for an overall average percentage goal of 20.36 percent of the total subcontracting base dollar amount.

The total dollar amount of the actual subcontracting bases for the 15 Federal agencies providing that data was $4,934,695,000. The total dollar amount of the actual dollar awards for subcontracting to small business concerns for those same 15 agencies was $963,677,000, for an overall average percentage of 19.53 percent. As indicated in the attached statistical data tabulation, seven agencies did not provide a dollar amount for their actual subcontracting base. (DoD and the

Department of Energy were two of the seven agencies that did not provide an actual subcontracting base amount. Consequently, the dollar figures cited in the paragraph are much smaller than would otherwise be the case). Three of the seven agencies in the former category did not submit the actual dollar amount for subcontracting to small business concerns for the reasons cited in footnotes to the statistical data tabulation.

Of the 15 agencies that provided actual dollar amounts for both the subcontracting base and for subcontracting to small business concerns, 10 exceeded their established percentage goals by margins ranging from 117.5 percent above goal, in the case of the Department of Transportation, to 7.95 percent above goal in the case of Department of Labor. Five of those 15 agencies failed to achieve their established percentage goals by margins ranging from 42 percent of goal, in the case of the General Services Administration to 100 percent of goal in the case of the Department of State.

The total dollar amount of the joint goals for subcontracting to small business concerns for the 19 agencies providing actual dollar amounts awarded in subcontracts to small business concerns totalled $12,501,614,000. The actual amount reported for thoses agencies totalled $13,256,309,000, or 106.04 percent of the amount established as the goal. Of the 19 agencies included in those totals, 10 exceeded the dollar amount of their joint subcontracting goals by amounts ranging from $500,000,000 in the case of the Department of Defense (achieved 104.85 percent of its goal), to $153,000 in the case of the Agency for International Development (achieved 104.09 percent of its goal). Eight of those agencies failed to achieve the dollar amount of their subcontracting goals by amounts ranging from $181,000 in the case of the

International Communication Agency (achieved 9.5 percent of its goal) to $99,400,000 in the case of the Department of Transportation (achieved 37.88 percent of its goal).

SUMMATION

As anticipated, actual agency subcontracting performance in both the area of the subcontracting base and that of subcontracts awarded to small business concerns, varied widely from the subcontracting base and the subcontracting goal established jointly by SBA and each agency. However, considered on an aggregate basis, these variances in individual agencies tended to cancel each other out. A comparison of the average of agency percentage goals for subcontracting to small business concerns with the average of agency subcontracting performance percentages (for the 15 agencies submitting the data required for comparison), we find that the average percentage for actual performance is 3.44 percentage points higher than that for established goals. It is believed that the inclusion of DoD and Department of Energy data would improve the actual performance percentage for subcontracting to small business concerns even further.

Attachment

SBA Summary/Comments of FY 1980 Total Small Business Subcontracting Performance Versus Goals Established Jointly By SBA and Individual Federal Procuring Agencies.

SBA SUMMARY/COMMENTS OF FY 1980 TOTAL SMALL BUSINESS SUBCONTRACTING PERFORMANCE VERSUS GOALS

ESTABLISHED JOINTLY BY SBA AND INDIVIDUAL FEDERAL PROCURING AGENCIES

(DOLLARS 000'S)

	ESTIMATED 1/ SUBCONTRACTING BASE ($)	SMALL BUSINESS 2/ SUBCONTRACTING GOAL (INITIAL) ($)	(%)	ESTABLISHED 3/ SUBCONTRACTING BASE ($)	JOINT 4/ SUBCONTRACTING GOAL ($)	(%)	ACTUAL 5/ SUBCONTRACTING BASE ($)	SMALL BUSINESS 6/ SUBCONTRACTING PERFORMANCE ($)	(%)	AGENCY 7/ COMMENT ON PERFORMANCE	SBA COMMENTS ON 8/ AGENCY PERFORMANCE
Department of Defense	None Submitted	10,300,000	-	48,000,000 9/	10,300,000	21.3	10/	10,800,000	-	10/ and 11/	11/
Department of Energy	6,500,000	1,088,500	17.0	6,500,000	1,085,500	16.7	38/	1,432,032	38/	None	
NASA	12/	386,400	20.1	1,932,000	386,400	20.0	1,362,291	430,923	32.0	None	13/
GSA	198,951	107,434	54.0	1,284,788	265,951	20.7	1,807,331	214,970	12.0	14/	Achieved 81% of $ Goal
TVA	900,000	90,000	10.0	900,000	90,000	10.0	441,270	39,200	9.0	15/	16/
Veterans Administration	302,000	151,000	50.0	444,990	111,248	25.0	17/	56,800	-	17/	None
Department of Interior	519,724	86,480	16.6	519,724	86,480	16.6	546,812	105,369	19.3	None	18/
Department of Agriculture	189,100	25,718	13.6	189,100	25,718	13.6	267,266	59,748	22.4	None	19/
Department of Transportation	800,000	200,000	25.0	800,000	160,000	20.0	139,100	60,600	43.5	20/	None
HEW	None Submitted	29,000	-	512,607	19,764	3.9	159,557	37,950	23.8	21/	22/
Department of Commerce	19,500	7,800	40.0	74,500	16,986	22.8	12,060	4,154	34.4	23/	24/
Department of Labor	85,000	16,150	19.0	258,000	22,704	8.8	269,600	25,700	9.5	None	25/
EPA	5,400	702	1.3	105,000	3,255	3.1	130,000	6,000	4.6	None	26/
Department of Treasury	69,000	1,380	2.0	73,000	1,460	2.0	56,000	238	0.4	27/	28/
AID	30,000	3,500	10.0	110,000	3,740	3.4	49,882	3,893	7.8	None	29/
Department of Justice	7,600	700	9.2	7,600	684	9.0	3,509	44	1.3	None	30/
HUD	15,000	2,250	15.0	22,500	1,800	8.0	31/	3,800		None	31/
Department of State	5,000	500	10.0	5,000	500	10.0	5,000	0	0.0	32/	None
Natl. Science Foundation	117,649	13,242	11.3	117,649	9,224	7.8	123,272	14,069	11.4	33/	34/
FEMA	3,000	750	25.0	1,000	750	25.0	35/	35/		35/	None
ICA	2,000	200	10.0	2,000	200	10.0	3,015	19	0.6	36/	None
SBA	0	0	0.0	2,400	101	4.2	37/	37/		37/	None
All Others											
TOTAL											

NOTES:
1/ ESTIMATED TOTAL AMOUNT OF PRIME CONTRACT DOLLARS FOR CONTRACTS REQUIRING SUBCONTRACTING GOALS.
2/ TOTAL DOLLAR AMOUNT AND PERCENTAGE OF BASE AMOUNT TO BE AWARDED TO SMALL BUSINESS CONCERNS AS INITIALLY SUBMITTED BY FEDERAL AGENCY.
3/ FINAL JOINTLY ESTABLISHED TOTAL DOLLAR AMOUNT OF SUBCONTRACTING BASE DESCRIBED IN NOTE 1/, ABOVE.
4/ TOTAL DOLLAR AMOUNT AND PERCENTAGE OF ESTABLISHED SUBCONTRACTING BASE (AS DESCRIBED IN NOTE 3/, ABOVE) AS JOINTLY ESTABLISHED BY SBA AND EACH INDIVIDUAL FEDERAL AGENCY.
5/ ACTUAL TOTAL AMOUNT OF PRIME CONTRACT DOLLARS FOR CONTRACTS REQUIRING SUBCONTRACTING GOALS AWARDED IN FY 1980.
6/ TOTAL DOLLAR AMOUNT AND PERCENTAGE OF ACTUAL SUBCONTRACTING BASE (AS DESCRIBED IN NOTE 5/, ABOVE) AWARDED TO SMALL BUSINESS CONCERNS IN FY 1980.
7/ SYNOPSIS OF FEDERAL AGENCY'S EXPLANATION FOR FAILURE TO ACHIEVE THE JOINTLY ESTABLISHED GOAL FOR SUBCONTRACTING TO SMALL BUSINESS CONCERNS.
8/ SBA COMMENTS ON FEDERAL AGENCY'S EXPLANATION (AS DESCRIBED IN NOTE 7/, ABOVE).
9/ OFPP DIRECTED ESTIMATE. DOD INITIALLY PROVIDED AN ESTIMATE OF $22.4 BILLION AS A TOTAL SUBCONTRACTING BASE.

10/ Actual Subcontracting Base For FY 1980 was not provided by DOD. DOD maintained that establishing a goal against such a subcontracting base as that described in note 1/ above was not practical for many reasons, not the least of which was that no reporting system existed for obtaining subcontracting against individual prime contract awards.

11/ In the absence of the subcontracting base data (described in note 5/), which DoD maintains cannot be obtained under its existing reporting system, achievement of the percentage subcontracting goal (21.3%) cannot be determined.

12/ NASA maintained that the goals required by OFPP Policy Letter 79-3 (as described in note 1/, above) were not obtainable as requested and provided in lieu thereof, total subcontract awards as a percentage of its total awards on prime contracts and modifications.

13/ NASA exceeded its dollar goal for subcontracting to small business concerns by $44,523,000 and its percentage goal by 12 percentage points.

14/ GSA notes that accurate subcontracting data is very difficult to obtain because the agency has no standardized data collection system. In addition, there is some confusion in the case of commercial products contracts about how to allocate company-wide goals to individual contracts with a given company.

15/ The TVA indicated that the $39,200,000 given as actual performance in subcontracts to small business concerns represents committed goals to small business concerns by prime contractors rather than actual subcontract dollars awarded by prime contractors. The TVA arbitrarily reduced its joint subcontracting goal (as described in note 4/, above) by the ratio of actual FY 1980 procurement to predicted procurement, or by .4903 (presumably, that same reduction would be applied to TVA's established subcontracting base of $900 million). The reduction was due to the deferral of construction of four nuclear units and a drastic reduction in coal purchases.

16/ The figure of $441,270,000 in the column "Actual Subcontracting Base" is an adjusted figure, as explained in note 15/, above. However, the total dollar figure entered under Part II, Item 19, column (c) of TVA's Standard form 37 submission for the period October 1, 1979 to September 30, 1980, is $706,125,000. On the basis of that amount, the participation of small business concerns as subcontractors in the performance of TVA prime contracts amounted to only 6% of the total dollar amount of subcontracts and purchase committments under TVA prime contracts in FY 1980.

17/ The actual subcontracting base (as described in note 5/, above) was not provided by the VA in its report of the agency's performance versus goals for FY 1980. The VA indicated that it had achieved only 51% of its goal for subcontracting to small business concerns, with a total dollar amount of $56,800,000. Mitigating factors included the continuing negotiation of remedial subcontracting plans through the fourth quarter of FY 1980, much of the small business subcontracting occurring pursuant to FY 1980 prime contracts will not be reported until the first quarter, FY 1981, and, difficulty in obtaining reports of subcontract awards by prime contractors furnishing commercial products under VA contracts.

18/ The DOI exceeded both its dollar and percentage goals for subcontracting to small business concerns; the dollar goal by $18,889,000 and the percentage goal by 2.7 percentage points.

19/ The DOA exceeded both its dollar and percentage goals for subcontracting to small business concerns; the dollar goal by $34,030,378 and the percentage goal by 8.8 percentage points.

20/ The DOT subcontracting base (as described in note 1/, above) was greatly overestimated due to errors in reporting in FY 1979. Also, a large portion of the work projected to be contracted through the Federal Railroad Administration's Northeast Corridor Improvement Program was not accomplished during FY 1980. In other cases, some of that work was performed by the railroads with their own staff. Further, the DOT experienced difficulty in tracking and obtaining reports of subcontract awards to small business concerns in a timely manner. Although the DOT overestimated the subcontracting base and the dollar amount of subcontracts awarded to small business, a much larger percentage (43.5%) of the actual base (as described in note 5/, above) was awarded to small business concerns than was anticipated.

21/ The subcontracting base (as described in note 3/, above), jointly established by DHEW and SBA, was revised by the DHHS on June 11, 1980, to disassociate the subcontracting base and subcontracting goal of DHEW from those portions of the base and goal which would be lost to the Department of Education. Prior to revision the base was $603,032,000 and the goal for subcontracting to small business was $27,136,000. DHHS indicated that the established subcontracting base (note 3, above) included all contracts valued in excess of $.5 million that were projected for award in FY 1980. No allowances were made for multi-year contracts with firm options that were awarded prior to the implementation of Public Law 95-507, contracts awarded to small business concerns and contracts that offered no subcontracting opportunities. That oversight resulted in an overestimate of the subcontracting base by $443,475,000, or by 73.5%.

22/ While the subcontracting base was indeed overestimated, the goal for subcontracting to small business concerns was understated by HEW by $18,186,000, or by 47.9%. In a separate submission the Department of Education reported a FY 1980 Goal of $827,000 and an achievement of $2,252,000.

23/ The DOC indicated that FY 1980 procurement (through contracts valued at $10,000 or over) was $130,709,000, or, 36.6% less than the volume projected initially. The DOC indicated that the actual subcontracting base (note 5/, above) was $62,440,000 less than the established subcontracting base (note 3/, above), or 83.8% less.

24/ The overstatement of the established subcontracting base (note 3/, above) is not unexpected. The joint estimate was made in the total absence of empirical data required to forecast the subcontracting policies and activities of prime contractors on contracts projected for award in FY 1980.

25/ The DOI exceeded its initial projection for the award during FY 1980 of contracts having a value of $10,000 or more, by $14,104,000, or by 4.4%. The established subcontracting base (note 3/, above) was exceeded by $11,600,000, or by 4.5% and the joint subcontracting goal (note 4/, bove) was exceeded by $2,996,000, or by 13.2%.

26/ The EPA did not include the dollar amount of the actual subcontracting base (note 5/, above) in its Socioeconomic Program Achievement Report for FY 1980. However, the figure of $130 million was provided upon request. Based upon that amount, the Agency exceeded its percentage goal for subcontracting to small business concerns by 1.5 percentage points and its dollar goal by $2,745,000, or by 184.3%.

27/ The DOT indicated that 22 contracts were awarded during FY 1980 which required subcontracting plans. Twenty of those were for commercial products and resulted in subcontracting plans with significant goals for subcontracting to small business concerns. Guidance from the OFPP has not, as yet, been received on how to apportion the dollar amounts awarded to small business concerns in subcontract awards among the several agencies awarding contracts to the contractor. Therefore, the DOT cannot determine the full extent of subcontract awards to small business concerns under its conracts for commercial products. The DOT may have achieved or exceeded its joint subcontracting goal (note 4/, above).

28/ The DOT overestimate of its established subcontracting base (note 3/, above) is not unexpected. The explanation contained in note 24/, above is also applicable in this case.

29/ The comments contained in notes 24/ and 28/, above, are also applicable in the case of AID's overestimate of its established subcontracting base.

30/ The DOJ report of achievements against the FY 1980 procurement goals did not contain the dollar amount of the actual subcontracting base (note 5/, above). Yet, the report claimed 100% achievement of its goal for subcontracting to small business conerns with a total of $44,000 awarded to small business subcontractors. The agency's representative indicated that the 100% achievement reported was intended to mean that small business concerns received all of the subcontracts awarded under agency prime contracts in FY 1980 and that those subcontracts were valued at a total of $44,000. The figure of $3,509,000 for the subcontracting base was provided by the agency, indicating a 1.3% participation by small business concerns as subcontractors, vice the 9% projected as a goal and indicating an overstatement of the established subcontracting base (note 3/, above). The comment contained in note 24/ is also applicable to the overstated subcontracting base cited herein.

31/ The HUD report of accomplishments regarding socioeconomic procurement goals for FY 1980 did not contain the dollar amount of the actual subcontracting base (note 5/, above). While the actual subcontract awards to small business concerns ($3,800,000) exceeded the amount established as the joint subcontracting goal by 211%, we are unable to evaluate the significance of that achievement in terms of the percentage of the total dollar amount of prime contracts awarded that require the contractor to establish goals for subcontracting to small business concerns. HUD has been requested to provide the actual subcontracting base amount.

32/ The single DOS procurement which required a contractually covered subcontracting plan and was awarded during FY 1980, is not effective until FY 1981. The subcontracting goal for FY 1980 has been reestablished as the FY 1981 subcontracting goal.

33/ The established subcontracting base (note 3/, above) did not include $5.9 million which was awarded for the building of two research vessels. That amount accounts for the higher amount shown as the actual subcontracting base (note 5/, above).

34/ The actual dollar amount of subcontracts awarded to small business concerns (note 6/, above) exceeded the amount jointly established as the subcontracting goal (note 4/, above) by $4,845,000, or by

152.5%. As a percentage of the dollar amount of prime contracts awarded in FY 1980 that required the contractor to establish goals, that actual dollar amount represents an increase of 3.6 percentage points over the percentage established as a goal (note 4/, above).

35/ The FEMA report on the extent of particiption by small business concerns in FEMA contracts during FY 1980 did not contain the dollar amount of the actual subcontracting base (note 5/, above). The report indicated that based upon five identified prime contracts, subcontracting opportunity was $1,232,537, with 60% going to small business. The report also indicated that the collection of subcontracting data has been almost impossible. The agency strongly suggested the development of a requirement and format for having prime contractors submit subcontracting data.

36/ The ICA indicated that the subcontracting goal was not met because there was only one formally advertised contract for standard commercial services and that contract offers only limited subcontracting opportunities

37/ The SBA indicated that the actual subcontracting base (note 5/, above) includes the value of only one prime contract which is for commercial services. The small business subcontracting performance (note 6/, above) under that contract has not been determined at this time, due to the nonexistence of subcontracting performance reporting procedures applicable to contracts for commercial products.

38/ The DOE provided an actual total dollar amount of $2,907,277,000 awarded by its prime contractors in subcontracts and not the actual subcontracting dollar base described under note 5/, above. Therefore, the "percentage of joint subcontracting goal" cannot be determined. While the actual subcontract awards to small business concerns ($1,432,032,000) exceeded the amount established as the joint subcontracting goal by 31.9%, we are unable to evaluate the significance of that increase in terms of the percentage of the total dollar amount of prime contracts awarded that require the contractor to establish goals for subcontracting to small business concerns.

SBA SUMMARY ON FY-1980 TOTAL MBE CONTRACTING ($10,000 and OVER)
GOALS ESTABLISHED BY INDIVIDUAL FEDERAL PROCURING AGENCIES

($-000)

FEDERAL AGENCY	FEDERAL AGENCY'S INITIALLY PROPOSED DOLLAR GOAL	FINAL DOLLAR GOAL ESTABLISHED BETWEEN FEDERAL AGENCY/SBA	FEDERAL AGENCY'S ACTUAL ACHIEVEMENT
DOD *	1,600,000.0	2,100,000.0	1,659,400.0
DOE *	156,000.0	290,000.0	280,500.0
NASA	110,000.0	117,000.0	115,375.0
GSA	204,800.0	206,000.0	113,044.7
TVA	15,100.0	15,100.0	22,000.0
VA *	91,400.0	146,000.0	68,000.0
DOI	163,000.0	190,000.0	180,981.0
DOA	50,800.0	55,000.0	60,072.0
DOT	140,000.0	140,000.0	148,000.0
HHS *	92,573.0	92,573.0	108,774.0
DOC **	43,200.0	43,200.0	34,127.0
DOL	40,000.0	40,000.0	46,046.0
EPA	23,000.0	23,000.0	19,325.0
Treasury	12,000.0	12,000.0	18,730.0
AID	22,100.0	22,100.0	16,829.0
HUD *	27,500.0	27,500.0	44,787.7
DOJ	7,500.0	7,400.0	11,800.0
STATE *	1,840.0	1,840.0	1,277.0
NSF	816.3	816.3	521.9
FEMA	2,700.0	2,700.0	2,382.5
ICA	390.0	390.0	190.8
SBA	5,700.0	7,800.0	9,700.0
EDUCATION *	17,475.0	17,475.0	47,169.7
ALL OTHERS	12,800.0	12,800.0	5,495.7
TOTAL	2,840,694.3	3,544,600.0	3,014,529.0

* Final Dollar Goals Determined by OFPP
** Goal Established as a Percentage

SBA SUMMARY/ANALYSIS/COMMENTS ON FY-1980 TOTAL 8(A) CONTRACTING GOALS ($10,000 and OVER) ESTABLISHED BY INDIVIDUAL FEDERAL PROCURING AGENCIES

($-000)

FEDERAL AGENCY	FEDERAL AGENCY'S INITIALLY PROPOSED DOLLAR GOAL	FINAL DOLLAR GOAL ESTABLISHED BETWEEN FEDERAL AGENCY/SBA	FEDERAL AGENCY'S ACTUAL ACHIEVEMENT	SYNOPSIS OF FEDERAL AGENCY'S EXPLANATION OF FAILURE TO ACHIEVE ESTABLISHED GOAL	SBA COMMENTS ON FEDERAL AGENCY'S EXPLANATION OF FAILURE TO ESTABLISHED GOAL
DOD *	680,000.0	886,200.0	713,600.0	For Agency Explanations and SBA Comments "See Attachment A"	For Agency Explanations and SBA Comments "See Attachment A"
DOE *	40,000.0	99,800.0	103,700.0		
NASA	45,500.0	50,000.0	47,920.0		
GSA	110,700.0	110,700.0	58,257.2		
TVA	2,100.0	2,100.0	1,100.0		
VA *	69,700.0	71,900.0	NR		
DOI	45,400.0	60,000.0	66,172.0		
DOA *	20,000.0	28,200.0	39,972.0		
DOT	80,000.0	80,000.0	89,100.0		
HHS *	46,032.0	49,716.0	57,755.0		
DOC **	25,000.0	25,000.0	26,077.0		
DOL	15,940.0	16,200.0	24,837.0		
EPA	15,100.0	20,000.0	14,000.0		
Treasury	7,200.0	7,200.0	9,000.0		
AID	12,945.0	12,945.0	12,300.0		
HUD *	7,600.0	8,000.0	11,971.7		
DOJ	3,900.0	3,900.0	4,608.0		
STATE *	800.0	800.0	311.0		
NSF	72.0	72.0	-0-		
FEMA	1,000.0	1,000.0	1,332.2		
ICA	210.0	210.0	85.0		
SBA	5,500.0	6,900.0	5,500.0		
EDUCATION *	9,491.0	13,300.0	14,217.6		
All OTHERS	9,300.0	9,300.0	7,464.4		
TOTAL	1,253,490.0	1,522,600.0	1,309,280.1		

* Final Dollar Goals Determined by OFPP
** Goal Established as a Percentage (7% of total prime contracts)

ATTACHMENT "A"

Section 8(a) Contracts

The following is a synopsis of the individual Federal Agency's explanations for their failure to achieve the established 8(a) contracting goal as well as SBA's comments relevant to the given agency's explanations. Agencies are herein listed according to the dollar value of their procurement base in excess of $10,000 (I.E. DOD, DOE).

Department of Defense:
DOD cited two major reason for its failure to meet the established 8(a) goal:

1. unsuccessful effort to negotiate realistic and attainable MBE goals and,

2. SBA's inability to convert offers for the 8(a) program into contracts (i.e. offered $1,710.7 million only $713.6 million contracts awarded).

COMMENTS:
In light of the 103.7% achievement by DOD of the total awards in excess of $10,000, it appears that the DOD offerings to SBA were controlled to meet the agency's initially proposed goal of $680.0 million dollars. Requirements frequently offered by DOD do not match the capabilities of the firms approved for the 8(a) program and are therefore returned to the agency as unmatched requirements.

National Aeronautics and Space Administration:
NASA proferred no explanation in their submission as to the reasons for its inability to meet its established 8(a) goal.

COMMENTS: None

General Services Administration:
GSA stated that the furniture moratorium was the primary cause for its failure to meet the established goal.

COMMENTS:
Emperical data does not indicate that GSA's furniture procurements (in any previous year) with 8(a) firms aggregate to the $52.4 million shortfall experienced by this Agency. While SBA recognizes that the moratorium had an adverse impact on the ability of the agency to meet this goal, we are not in agreement with the degree of impact in dollar terms cited by the agency nor with the ability of the agency to place requirements with 8(a) firms in areas other than furniture. This is evidenced by the fact that the agency exceeded its estimated FY 1980 total procurement of $1,989.5 million dollars by 8.4% . The agency's actual total procurement for FY 1980 was $2,157.7 million dollars.

Tennessee Valley Authority:

TVA cites the deferral of construction projects and the drastic reduction of coal purchase as the causes for a reduction in their FY 80 overall budget which precipitated an adjustment to FY 80 goals by the agency.

COMMENTS:

SBA has no data to gauge the impact of these two items (deferral of projects and reduced purchases of coal) on Minority Business Enterprise. We are cognizant of these items and essentially agree that both would have an adverse impact on the Agency's ability to achieve its goal.

Veterans Administration:

The VA cited: (1) the lateness of goal negotiations (2) SBA not accepting offerings for use in the program and (3) year end buying constraints imposed by OMB as the factors which impacted the agency's ability to meet its goal.

COMMENTS:

SBA is unable to quantify the impact of the above cited factors on the Agency's ability to meet its 8(a) goal. VA provided SBA only with data pertinent to the overall MBE achievements and did not provide the breakout (Prime, SUB and 8(a)) necessary for analysis of achievements against established goals.

Environmental Protection Agency:

EPA proffered no explanation in their submission as to the reasons for its inability to meet its established 8(a) goal.

COMMENTS: None

Agency for International Development:

AID proferred no explanation in their submission as to the reasons for its inability to meet its established 8(a) goal.

COMMENTS: None

Department of State:

State cited the lack of staff (2 man SADBU office during the FY) to educate department user-offices in the value of 8(a) procurements as the primary factor in their not achieving their 8(a) goal.

COMMENTS:

The lack of adequate staff should not preclude the agency from seeking alternative methods of educating the procurement staff on 8(a) procurements (i.e. outside contractors, seminars, etc).

National Science Foundation

NSF attributed the late goal procedures as the factor that caused the agency to not meet their established 8(a) goal.

COMMENT:

SBA recognizes that the late goal establishing procedure in FY 1980 may have an adverse impact on the ability of some agencies to meet their established goals, particularly in instances where contracts need to be negotiated at the beginning of a fiscal year.

International Communication Agency:

ICA proferred no explanation in their submission as to the reasons for its inability to meet its established 8(a) goal.

COMMENTS: None

Small Business Administration:

SBA proferred no explanation in their submission as to the reasons for its inability to meet its established 8(a) goal.

COMMENTS: None

SBA SUMMARY:

An analyses of the preceding chart and Agency explanations reveal that the Administration achieved 86.0 percent of the negotiated $1.5 billion dollar goals for the Section 8(a) Program in FY 1980 (it must be noted that because of the lack of a standardized federal government reporting system and computer lag time, SBA records reflect an overall 8(a) achievement by the federal agencies of $1.6 billion dollars). The major shortfalls of DOD ($172.6 million) and GSA ($52.4 million) were not offset by the other agency's achievements. The analysis also showed that 17 of the 23 reporting agencies achieved greater than 100% of their initially submitted goals with fifteen (15) agencies achieving the goals negotiated with SBA. This indicates to SBA that the negotiation process has led to increased opportunities for small disadvantaged business utilizing the Section 8(a) program. The Administration accomplished 86% of its negotiated goals despite the fact that 4 of the top 6 procuring agency's within the Federal structure did not meet their goal. The accomplishments of other Federal agencies with less procurement dollars to spend should therefore be commended when compared against past achievements of these same agencies.

Pursuant to Public Law 95-507, SBA provides all major procurement agencies, prior to beginning of the fiscal year, with the forthcoming fiscal year's forecast of the section 8(a) Program contracting needs, to allow the agencies to establish plans for matching of procurements with the requirements expressed by 8(a) company business plans. In fiscal year 1980, no agency of Government responded affirmatively to this submission, which was submitted to all agencies prior to the procurement preference goaling process. As a result of this lack of coordination with SBA, the agency's offerings to the 8(a) Program have been submitted without the normal lead times accorded other procurements; with short response time frames; and the majority are submitted in the fourth quarter of the fiscal year.

It is SBA's position that if the agencies are able to establish dollars goals prior to a fiscal year for the 8(a) Program they should be able and willing to provide SBA with the projects that are intended to be offered to fulfill these dollar goals. This would enable SBA to establish the necessary planning programs for individual companies in its portfolio so that an orderly and efficient development of the businesses can be accomplished.

Thus, when agencies contend that they are unable to meet their 8(a) goals because SBA was unable to accept the procurements offered, it must be realized that these agencies fail to reveal the problems of SBA in accepting offerings with a very short time frame for company selection, proposal preparation and contract negotiation. This is particularly true when offerings are concentrated in the fourth quarter. Further, if agencies are not required to provide their planned fiscal year 8(a) procurement to SBA to facilitate effective planning, they should not use SBA as the basis for failure to meet their 8(a) goal.

It must also be noted that only three of the seven agencies that were referred to OFPP for resolution of goal impasse were unable to accomplish their 8(a) goals.

SBA SUMMARY/ANALYSIS/COMMENTS ON FY-1980 TOTAL MBE PRIME CONTRACTING GOALS ($10,000 and OVER) ESTABLISHED BY INDIVIDUAL FEDERAL PROCURING AGENCIES

($-000)

FEDERAL AGENCY	FEDERAL AGENCY'S INITIALLY PROPOSED DOLLAR GOAL	FINAL DOLLAR GOAL ESTABLISHED BETWEEN FEDERAL AGENCY/SBA	FEDERAL AGENCY'S ACTUAL ACHIEVEMENT	SYNOPSIS OF FEDERAL AGENCY'S EXPLANATION OF FAILURE TO ACHIEVE ESTABLISHED GOAL	SBA COMMENTS ON FEDERAL AGENCY'S EXPLANATION OF FAILURE TO ESTABLISHED GOAL
DOD *	480,000.0	634,000.0	NR	For Agency Explanations and SBA Comments "See Attachment B"	For Agency Explanations and SBA Comments "See Attachment B"
DOE *	20,000.0	46,400.0	15,600.0		
NASA	12,000.0	20,000.0	24,530.0		
GSA	40,400.0	40,400.0	43,153.5		
TVA	8,500.0	8,500.0	10,000.0		
VA *	49,600.0	51,200.0	NR		
DOI	86,600.0	91,000.0	69,893.0		
DOA	24,000.0	20,000.0	14,700.0		
DOT	20,000.0	20,000.0	33,300.0		
HHS *	21,512.0	21,512.0	44,143.0		
DOC **	16,000.0	16,000.0	34,127.0		
DOL	20,620.0	21,000.0	18,397.0		
EPA	3,500.0	2,500.0	4,275.0		
Treasury	4,100.0	4,160.0	9,000.0		
AID	7,691.0	7,691.0	4,514.0		
HUD *	15,200.0	19,000.0	32,500.0		
DOJ	3,500.0	3,400.0	7,126.0		
STATE *	1,000.0	1,000.0	966.0		
NSF	70.0	125.0	210.0		
FEMA	300.0	1,365.0	939.3		
ICA	140.0	140.0	100.0		
SBA	200.0	900.0	4,200.0		
EDUCATION *	12,008.0	18,573.0	29,110.1		
ALL OTHERS	11,800.0	11,800.0	1,030.6		
TOTAL	858,741.0	1,059,600.0	NR		

* Final Dollar Goals Determined by OFPP

** Goal Established as a Percentage (11.5% of total prime contracts)

ATTACHMENT "B"

Minority Business Enterprise Prime Contracts

The following is a synopsis of the individual Federal Agency's explanation for their failure to achieve established MBE prime contracting goal as well as SBA's comments relevant to each agency's explanations. Agencies are herein listed according to dollar value of their procurement base in excess of $10,000 (I.E. DOD, DOE etc).

Department of Defense

DOD cited the (1) inordinate amount of time and effort expended in support of the SBA Pilot Program and (2) the unrealistic and unattainable goals placed on the department as the main factors for not achieving its established prime contracting goal

COMMENTS:

SBA is aware of the time and effort expended by the Department of Army in support of the Pilot Program, however, the department should have been able to adjust its many resources to facilitate the addition of the Pilot Program as well as maintain those resources necessary to meet established goals within the other departments. DOD did not provide SBA with a breakout of the agency's achievements by procurement program (8(a),Prime,Sub) nor did they furnish SBA with any indication of the individual departments achievements. Without these breakouts, analysis of this goal category would be meaningless.

Department of Energy:

DOE cited the late goal approval period (2nd quarter) as the primary reason for not achieving its prime contract goal.

COMMENTS:

SBA recognizes and agrees with the fact that the late goaling period in FY 1980 may have had an adverse impact on the goal achievements of some federal agencies.

Veterans Administration:

VA did not provide a breakout of achievement by procurement program, however, they cited (1) late goal negotiations (2) inability to set-aside procurement except through 8(a) to MBE's and (3) year-end buying constraints established by OMB as the factors most responsible for their failure to achieve the goal.

COMMENTS:

SBA is unable to quantify the impact of these factors on the MBE prime contracting goal witout the necessary breakout of VA's achievements by type of procurement (Prime,8(a),Sub).

Department of the Interior:

DOI stated that the decision rendered in the Andrus vs Glover (affecting the Buy Indian contracts for road construction) by the Supreme Court as the primary reason it did not meet its established prime contracting goal.

COMMENTS:

SBA agrees that this decision had adverse impact on the agency's ability to award contracts to this select group, however, alternative methods could have been developed to insure that a maximum amount of Indian and minority bidders responded to the competitive solicitation which would increase the possibility of these contracts remaining in the MBE area. In addition, technical assistance programs could have been developed to assist MBE to understand the methodologies of the competitive procurement process.

Department of Agriculture:

DOA cited its inability to locate capable firms to perform the type of procurement opportunities available within the agency as the factor that was responsible for their not achieving this goal.

COMMENTS:

SBA recognizes this as a major problem area of DOA and will work cooperatively to assist DOA in locating MBE firms with the capabilities necessary to perform the type of procurements available within the agency.

Department of Labor:

DOL proferred no explanation in their submission as to the reasons for its inability to meet established prime contracting goals.

COMMENTS: None

Department of State:

State proferred no explanation in their submision as to the reasons for its inability to meet established prime contracting goals.

COMMENTS: None

Agency for International Development:

AID proferred no explanation as to reasons why established goals were not met.

COMMENTS: None

Federal Emergency Management Agency:
FEMA proferred no explanation in their submission as to the reasons for its inability to meet established prime contracting goals.

COMMENTS: None

International Communication Agency:
ICA proferred no explanation in their submission as to the reasons for its inability to meet established prime contracting goals.

COMMENTS: None

SBA SUMMARY ON FY-1980 TOTAL MBE SUB CONTRACTING GOALS ($10,000 and OVER) ESTABLISHED BY INDIVIDUAL FEDERAL PROCURING AGENCIES

($-000)

FEDERAL AGENCY	FEDERAL AGENCY's INITIALLY PROPOSED DOLLAR GOAL	FINAL DOLLAR GOAL ESTABLISHED BETWEEN FEDERAL AGENCY/SBA	FEDERAL AGENCY's ACTUAL ACHIEVEMENT	SYNOPSIS OF FEDERAL AGENCY'S EXPLANATION OF FAILURE TO ACHIEVE ESTABLISHED GOAL	SBA COMMENTS ON FEDERAL AGENCY'S EXPLANATION OF FAILURE TO ESTABLISHED GOAL
DOD *	440,000.0	579,600.0	NR	For Agency Explanations and SBA Comments "See Attachment C"	For Agency Explanations and SBA Comments "See Attachment C"
DOE *	96,000.0	143,800.0	161,200.0		
NASA	40,000.0	40,000.0	42,925.0		
GSA	53,700.0	54,900.0	11,634.0		
TVA	4,500.0	4,500.0	10,900.0		
VA *	22,200.0	22,900.0	7,800.0		
DOI	11,300.0	12,000.0	15,086.0		
DOA	6,800.0	6,800.0	5,400.0		
DOT	40,000.0	40,000.0	25,600.0		
HHS *	9,921.0	9,921.0	6,876.0		
DOC **	2,200.0	2,200.0	360.0		
DOL	1,740.0	2,800.0	2,812.0		
EPA	500.0	500.0	2,050.0		
Treasury	700.0	730.0	16.0		
AID	1,860.0	1,860.0	-0-		
HUD *	3,000.0	5,000.0	316.0		
DOJ	100.0	100.0	44.0		
STATE *	40.0	40.0	-0-		
NSF	674.3	624.3	494.6		
FEMA	335.0	335.0	110.9		
ICA	40.0	40.0	5.8		
SBA	—	—	—		
EDUCATION *	3,747.0	3,747.0	2,252.0		
ALL OTHERS	1,000.0	1,000.0	14.8		
TOTAL	740,357.3	962,400.0	NR		

* Final Dollar Goals Determined by OFPP

** Goal Established as a Percentage (3% of total sub-contracts)

ATTACHMENT "C"

Minority Business Enterprise Sub Contracting

The following is a synopsis of the individual Federal Agency's explanation for their failure to achieve the established MBE sub-contracting goal as well as SBA's comments relevant to the agency's explanation. Agency's are herein listed according to the dollar value of their procurement base ($10,000 and over) (I.E. DOD, DOE etc.).

Department of Defense

The lack of an adequate reporting system for obtaining subcontract performance against individual prime contract awards was the reason cited by DOD for not meeting the sub-contracting goal.

COMMENTS: See SBA Summary

General Services Administration

GSA stated that they were unable to achieve their MBE subcontracting goal due to a lack of a reporting system to monitor progress of commercial products contracts

COMMENTS: See SBA Summary

Veterans Administration:

VA cited (1) that they were negotiating remedial subcontracting plans in the fourth quarter, (2) prime contractor achievements in the fourth quarter are not reported until the first quarter of the subsequent fiscal and, (3) inadequate reporting system to obtain subcontracting performance against individual prime contracts as the reasons for its failure to meet established goals.

COMMENTS: See SBA Summary

Department of Agriculture

DOA stated that there are insufficient minority sub-contractors in the food commodities industry and this precluded sub-contracting goal attainment. DOA also cited the lack of an adequate reporting system as an additional factor which had an adverse impact on the agency's achievement.

COMMENTS: See SBA Summary

Department of Transportation:
DOT cited (1) the overestimation of available of subcontracting oportunities for MBE, based on errors in reporting system, (2) delays in expenditures for contracts with possible subcontracting opportunities and (3) an inadequate reporting system as the factors responsible for not achieving its established goal.

COMMENTS: See SBA Summary

Department of Health and Human Services:
HHS cited the lack of experience on the part of contracting officers in reviewing and negotiationing subcontract plans on behalf of MBE's as the primary factor for not achieving its established goal.

COMMENTS: See SBA Summary

Agency for International Development:
AID proferred no explanation in their submission as to the reasons for its inability to meet its established subcontracting goal.

COMMENTS: None

Department of Housing and Urban Development:
HUD cited (1) the lack of an adequate reporting system and (2) the lack of full time staff for the entire fiscal year as the primary factors for not achieving established goals.

COMMENTS: See SBA Summary

Department of Treasury:
Treasury cited the lack of an adequate reporting system for commercial products as the reason for not meeting its goal.

COMMENTS: See SBA Summary

Department of Justice:
DOJ proferred no explanation in their submission as to the reasons for its inability to meet established dollar for MBE subcontracting. The agency did meet its percentage goal.

COMMENTS: See SBA COMMENTS

Department of State:
State proferred no explanation in their submision as to the reasons for its inability to meet its established goal.

COMMENTS: None

National Science Foundation:

NSF cited an overestimation of available subcontracting opportunities at one of their buying centers as the reason for not meeting the established goal.

COMMENTS: See SBA Summary

Federal Emergency Management Agency:

FEMA cited the lack of an adequate reporting system as the factor responsible for not achieving established goals.

COMMENTS: See SBA Summary

International Communications Agency:

ICA proferred no explanation in their submission as to the reason for its inability to meet its established subcontracting goal.

COMMENTS: None

Department of Education:

Education proferred no explanation in their submission as to the reasons for its inability to meet its established subcontracting goal.

COMMENTS: None

SBA SUMMARY:

> After analyzing individual agency's subcontracting achievements against their agreed upon goals and reviewing their explanations, it is apparent to us that more than 50% of the agencies within the Federal structure had no means in fiscal year 1980 to effectively monitor the performance of Prime Contractors with respect to their compliance with the proposed sub-contracting plans for small disadvantaged business submitted at the time of solicitation of an offer for a Federal Contract, pursuant to Section 211 of Public Law 95-507. We are unable to assess the validity of the reported agency achievements because of the absence of an effective and reliable reporting system which would effectively monitor prime contractor's performance.
>
> The efforts by the Office of Federal Procurement Policy (OFPP) in developing a uniform system for Federal agencies to report and monitor prime contractor performance against their agreed upon plans will provide a consistent and reliable tool for furthering the statutory objectives of increasing participation of small disadvantaged business in the Federal procurement process.

Mr. LAFALCE. SBA staff was given a copy of a videotape prepared by the Gould Corp. I don't know if you have had an opportunity to review that at all.

Mr. KULIK. We have seen it and are trying to get a copy from the Gould Corporation.

Mr. LAFALCE. It impressed me quite a bit, and would seem to me in your educational efforts which, I am sure, are ongoing, you might consider utilizing that and encouraging other businesses to make a tape, if you will, to tell their story.

Mr. KULIK. I can think of a number of prime contractors who would benefit by seeing it.

Mr. LAFALCE. Some people have suggested to me that some agencies are utilizing the grant process to avoid 507, and the various set-aside programs and procedures.

Now, do you have any knowledge as to whether or not this is a widespread process?

Mr. KULIK. We have heard the same, have had the same suspicions raised to us.

We are trying to get a better picture of it to see, in fact, whether the grant process is being used for that purpose.

One of the things that we will be considering, for example, is the feasibility of extending the provisions of Public Law 95-507, particularly section 8(d) to grants and cooperative agreements.

Mr. LAFALCE. On page 10, you state that SBA has informally obtained data reflecting the annual value and ratio of competitive and noncompetitive purchases by certain DOD installations in recent years, and that the data incidates a continuous decline over the past decade in the ratio of competitive purchases to total acquisition dollars.

Now, could you please provide a written synopsis of this data to the subcommittee?

Mr. KULIK. Yes.

Mr. LAFALCE. It would also seem to me that this clearly would be to the detriment of the small business community, and to the entire preparedness of our industrial base?

Mr. CARDENAS. Right.

Mr. **LaFalce**. This is a difficult question, because it can't be given an objectionable response.

I am wondering what opportunity you have to voice the concerns of the small business community within the Councils of the Administration?

Is there some type of total overall economic council, and are you a member of that economic council? Has anybody said, anybody in the administration, said to you, you know, we are increasing the amount of the defense budget considerably, 17 percent this year, "My God, Mike, you make sure small business gets at least its fair share, and if they don't, you let me know why?"

Mr. **Cardenas**. No; not in those words. What you have from me is a commitment to go to policymakers at the White House. To explain that, I would probably say that after, you know, I have initiated the letters to all the governmental agencies, and as I mentioned earlier, I had hoped to start with Mr. Carlucci of DOD and upon his return, I will pursue that.

We have received responses. We are making phone calls to set up appointments. We had one yesterday, and we will have another one today with Administrator Carmen this afternoon. And there are about six other agencies that are involved right now. But I intend to cover all of them, particularly those 20 that we do a substantial amount of contracting to get a feel of what their attitude is.

Should their attitude be adverse to what our needs are in the small business community, I would certainly make that known to the policymakers.

Mr. **LaFalce**. I am trying to help you, but I just don't want the administrator of the SBA to be known as a gadfly, and a nuisance when it comes to the administrator of GSA, or the Secretary of the Department of Defense, or any of these other agencies, because you probably have more responsibility than anybody else under these various programs.

Unless they understand that there is a commitment on the part of the Reagan administration, it does not matter much that Mike Cardenas has this commitment.

The administrator of SBA has got to have this commitment to be sure, but unless the world knows that the Reagan administration also has the commitment, it does not do much good.

I have not seen anything yet from the Reagan administration that could or would enable me to say, yes, they are committed. I have not seen anything that would enable me to say they are not committed, either, but there has been a void so far.

There has been a void, and so I am hoping that void will be filled and filled fairly soon with strong, positive, affirmative statements.

Mr. **Cardenas**. There was some discussion, I know, by people at the White House that I would participate in a domestic council. To date, that has not come about.

I had hoped it would come about rather soon so I could participate directly.

Mr. **LaFalce**. I think that is very important.

I remember going way back, not way back, but before Weaver, it was Mitch Kobelinski, and he was so proud of the fact when Ford created an economic council, that SBA was on that economic council.

He used to talk about it all the time, that, we are on there.

Mr. CARDENAS. No idea.

Mr. LAFALCE. I would hope there will be some visible signs from the Reagan administration that will clearly indicate how strongly they are committed to the special needs of small business. It is not enough just to be neutral and say that what is good for business is good for small business.

Small business will be devoured if that is the case. It is not good enough to say OFPP will come up with this ideal policy and will consult with General Motors, small business will be devoured.

Mr. CARDENAS. I do know also, that the trade associations have spoken to policymakers in the White House to express the same views that I just expressed.

Mr. LAFALCE. Who?

Mr. CARDENAS. To policymaking members of the White House staff, and they basically have expressed that same desire that I participate in a domestic council.

Mr. LAFALCE. I also have problems with policymaking members of staff, those hidden figures, nameless figures that have more authority than Secretaries of various Departments.

It disturbs me when, in order for me to get an opinion or position from SBA, I have to go to somebody who just got out of law school who happens to work at OMB, and I can have your full and entire support, and yet it will take me 6 months to get beyond that point.

Mr. CARDENAS. I can understand that.

Mr. LAFALCE. Do you know of any instance where there has been any termination in any agency as a result of a prime contractor violation of section 211, the subcontracting provisions of 507?

Mr. CARDENAS. I am sure there has.

Mr. KULIK. We do not know of any specific instance of that. As I believe Mr. Templeman said before, we are going to the Directors of the Small and Disadvantaged Business Utilization for followup and in all instances where we have informed the agency of noncompliance.

Mr. LAFALCE. Well, I am not suggesting that we ought to punish, or that we ought to reward.

We ought to do one of the two, I am suggesting that.

Mr. KULIK. We ought to know.

Mr. LAFALCE. Past performance should have some bearing on future conduct of Federal agencies, and if you have a bad actor who is not complying, maybe that ought to be a factor in future contracts.

If you have somebody who is doing an outstanding job of complying, maybe that should be a factor in future contracts or a factor within the contract itself.

The negotiation of the contract itself, some incentive clauses, is permitted under 507, and to my knowledge, it has not been utilized at all.

Mr. KULIK. I believe there have been some cases on a pilot basis. OFPP has, in fact, encouraged the agencies to test the various incentive features.

Mr. LAFALCE. Oh, is that right.

Mr. KULIK. I believe there have been some cases where there are incentive clauses.

Mr. **LaFalce**. Well, we will write to OFPP asking them if they could document that. I am asking you now if you can document that with any specifics, please forward that information to the subcommittee.

Mr. **Kulik**. Yes, sir.

[Documentation submitted by SBA, concerning Federal agency contracts, utilizing incentive clauses follows:]

FEDERAL AGENCY CONTRACTS UTILIZING INCENTIVE CLAUSE

SBA REGION-I

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Wright-Patterson AFB Dayton, OH	F33657-78-C-0494	01/20/80	General Electric	Burlington, VT
U.S. Army MICOM Redstone Arsenal, AL	DAAH01-79-C-0082, P00022	07/24/80	Raytheon	Andover, MA
"	DAAH01-79-C-1084	06/29/79	Raytheon	Andover, MA
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-79-C-0042	03/15/79	Chamberlain Mfg. Corp.	New Bedford, MA
"	DAAA09-81-C-0063	06/15/81	Union Carbide, Batley Prod. Div.	Bennington, VT

SBA REGION-II

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Electronic Systems Division (ESD)				
Hanscom AFB, MA	F19628-80-C-0049	08/18/80	Federal Electric Co.	Paramus, NJ
"	F19628-81-C-0007	01/13/81	Singer Co.	Little Falls, NJ
"	F19628-81-C-0057	01/30/81	General Electric Co.	Utica, NY
"	F19628-81-C-0058	01/30/81	Hazeltine Corporation	Greenlawn, NY
"	F19628-80-C-0119	09/25/80	Hazeltine Corporation	Greenlawn, NY
"	F19628-81-C-0058	03/30/81	Hazeltine Corporation	Greenlawn, NY
Warner Robbins AFB	F34601-80-G-0385 Delivery Order RJ08	04/15/80	Hazeltine Corporation	Greenlawn, NY
USA Redstone Arsenal	DAAH01-79-C-1242	09/26/79	Keuffel & Esser	Morristown, NJ

SBA REGION-II (Cont'd)

Federal Agency	Contract Number	Date of Award	Contractor Name	Contractor Location
Rome Air Dev., Ctr. Rome, N. Y.	F30602-79-C-0147 P00005	08/08/80	Sperry Gyroscope	Great Neck, NY
Naval Sea Sys. Command Washington, D. C.	N00024-81-C-5214	05/28/81	Sperry Gyroscope	Great Neck, NY
"	N00024-81-C-5201	03/11/81	Sperry Gyroscope	Great Neck, NY
"	N00024-80-PR-60073.1	04/13/81	Sperry Gyroscope	Great Neck, NY
"	N00024-81-C-40009	12/19/81	Sperry System Mgmt.	Great Neck, NY
Naval Gun Sys Eng Ctr Louisville, KY	N00197-81-C-0009(4)	03/02/81	Sperry Gyroscope	Great Neck, NY
CERCOM, Ft. Monmouth	DAAB07-80-G-6024 Delivery Order 006	03/13/81	Hazeltine Corporation	Greenlawn, NY
Wright-Patterson AFB (ASD)	F33657-81-C-0016	03/30/81	Grumman Corporation	Bethpage, NY
Wright-Patterson (AFB) Dayton, OH	F33657-78-C-0502 (P00010)	03/31/80	Sperry Corporation	Great Neck, LI, NY
	F33657-79-C-0068 (P00007)	04/10/80	Grumman Aerospace Corp.	Bethpage, LI, NY
	F33657-81-C-0061	11/20/80	Grumman Aerospace	Bethpage, LI, NY
NAVAIR Washington, D. C.	N00019-79-C-0460	01/11/80	Grumman Corporation	Bethpage, NY
NAVALEX Washington, D. C.	N00039-80-C-0026	07/10/80	Bell Aerospace Textron Corporation	Niagara Falls, NY
Warner Robbins AlC.	F34601-77-A-1415	06/17/80	Sierra Research Corp.	Buffalo, NY
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-79-C-0155	09/27/79	Eastman Kodak Co.	Rochester, NY
"	DAAA09-80-C-0061	05/27/80	Bulova Systems & Instr.	Valley Stream, NY
"	DAAA09-81-C-0056	04/02/81	Eastman Kodak	Rochester, NY
"	DAAA09-80-C-0204	09/30/80	Lockheed Elec. Co.	Denville, NJ

SBA REGION-III

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
AF Sys Command Hanscom AFB, Mass	F19628-81-C-0092	04/23/81	E-Systems, Inc.	Falls Church, VA
"	F19628-80-C-0179	08/18/80	Westinghouse Defense & Electronics Sys. Ctr.	Baltimore, MD
AF Contract Mgmt. Kirtland AFB, N.M.	F29601-80-C-0035	05/01/80	BDM Corporation	McLean, VA
"	F29601-80-C-0037	05/12/80	BDM Corporation	McLean, VA
"	F29601-77-C-0082 Mod 18	12/03/79	BDM Corporation	McLean, VA
Federal Emergency Management Agency	H4183	11/04/79	Electronic Data Sys. Federal Corporation	Bethesda, MD
Wright-Patterson AFB Dayton, OH	F33657-79-C-0820	02/20/80	AAI Corporation	Cockeysville, MD
Rock Mountain Arsenal Denver, CO	DAAA05-81-C-0007	02/12/81	Westvaco Corporation	Covington, VA
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-80-C-0062	05/27/80	Hamilton Tech. Inc.	Lancaster, PA
"	DAAH01-79-C-1636	09/29/79	Hercules	Cumberland, MD

SBA REGION-IV

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Eglin AFB, FL	F08635-80-C-0176	05/28/80	Teledyne Brown	Huntsville, AL
"	F08635-81-C-0102	04/17/81	Martin Marietta	Orlando, FL
U.S. Redstone Arsenal	DAAH01-80-C-0103, PZ003	01/18/80	Science Applications	Huntsville, AL
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-80-C-0171	09/26/80	Whaley Machine Products	Chamblee, GA

SBA REGION-V

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Eglin AFB, FL	F08635-81-C-0103	04/17/81	Honeywell Hopkins	Minneapolis, MN
Watervliet Arsenal	DAAA22-80-C-9033	09/22/80	Cincinnati Milicron	Cincinnati, OH
	DAAA22-81-C-9000	03/31/81	Cincinnati Milicron	Cincinnati, OH
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-81-C-0035	01/30/81	Chamberlain Mfg. Corp.	Elmhurst, IL
	DAAA09-79-C-0106	07/31/79	Chamberlain Mfg. Corp.	Elmhurst, IL
	DAAA09-80-C-0190	09/30/80	KDI Precison Products	Cincinnati, OH

SBA REGION-VI

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
U.S. Redstone Arsenal	DAAH01-80-C-0538	04/29/80	Vought Corporation	Dallas, TX
"	DAAH01-80-C-0681	04/29/80	Vought Corporation	Dallas, TX
Eglin AFB, FL	F08635-81-C-0011	11/21/80	Texas Instrument	Dallas, TX
NASA/MSFC, Ala	NASA8-33708	06/30/80	Martin Marietta	New Orleans, LA
NASA/MSFC, Ala	NASA8-30382 (F)	11/30/80	Martin Marietta	New Orleans, LA
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-80-C-0191	09/30/80	LaBarge, Inc.	Tulsa, OK

SBA REGION-VII

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
None	None	None	None	None

SBA REGION-VIII

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Eglin AFB, FL	F08635-81-C-0065	03/27/81	Martin Marietta	Denver, CO

SBA REGION-IX

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Air Force Warner Robbins-AFB Army Depot	F09603-80-C-3367	12/21/79	Sperry Flight Systems	Phoenix, AZ
Nat'l Institute of Health Nat'l Cancer Institute	1-CP-95607	09/30/79	Standford Research Institute	Menlo Park, CA
Army Ft. Monmouth CORADCOM	DAAK80-80-C-0284	10/01/80	Librascope Corp.	Glendale, CA
OOALC	F42600-80-C-0401	03/27/80	Federal Mogal	Los Angeles, CA
U.S. Redstone Arsenal	DAAH01-79-C-1075	06/29/79	Ford Aerospace	Newport, Bch, CA
"	DAAH01-80-C-0092	12/31/79	Aerojet Tactical Sy.	Sacramento, CA
Wright-Patterson AFB Dayton, OH	F33657-79-C-0415	05/22/80	Goodyear Aerospace	Litchfield, AZ
U.S. Army Materiel Readiness Command, Rock Island, IL	DAAA09-79-C-0146	09/28/79	Norris Industries Inc.	Vernon, CA

SBA REGION-X

Federal Agency	Contract Number	Date of Award	Contractor	
			Name	Location
Hanscom AFB, Bedford, MA	F19628-80-C-0034	06/26/80	Boeing Co.	Seattle, WA
"	F19628-81-C-0040	07/01/81	Boeing Co.	Seattle, WA
OOALC	F42600-80-C-0350	03/80	Boeing Co.	Seattle, WA
OOALC	F42600-79-G-7527-002	08/30/80	Boeing Co.	Seattle, WA
Army Sacramento	DAA608-81-C-0001	04/15/81	Pan AM World Services	Silverdale, WA

Mr. LaFalce. I am interested in what the SBA's position is regarding section 222 of Public Law 95-507.

Do you know what that section is?

Mr. Cardenas. Yes.

Mr. LaFalce. And particularly, how SBA's point of view might differ, if at all, from OFPP's? It has been my understanding that SBA and OFPP have been at loggerheads regarding the uniform regulations, et cetera, that have to be promulgated.

Mr. Templeman. I don't have any personal knowledge that we are at loggerheads. Certainly, we have a community interest, our sole interest is to look out for the welfare of small business.

Most other agencies have other activities as well as that, so we do, we are represented on the council that will review all the notices put together, and our goal in being there is to look after the interests of small business.

Mr. LaFalce. Well, you do not view 96-83 as in any way superseding section 222? Do you?

Mr. Templeman. I personally don't have knowledge of that act.

Mr. Kulik. I wouldn't venture an opinion on that. Whether OFPP does it or not, we consider it our purpose to look out for the best interests of small business, and we will be reviewing every one of those task force reports with that in mind.

We have done so in the past in connection with other instances of implementing a uniform procurement system and we will continue to do so.

Mr. LaFalce. Mr. Kulik, are there Federal agencies other than DOD that are making increased use of prequalification devices to avoid the certificate of competency program?

Mr. Kulik. There is at least one other instance that I know of, and that is in terms of movie and television productions where, in fact, there was a regulation requiring a form of prequalification to a committee. Incidentally, the committee was also in DOD, although it was prequalification for movie and TV productions for any agency.

Mr. LaFalce. Thank you.

Mr. Kulik. That was the subject of a decision by the Comptroller General, called the Bransbee decision, which was a matter pushed by our Office of Advocacy.

Mr. LaFalce. Mr. Fett, would you be able to expand upon that? Any other Federal agencies using prequalification devices?

Mr. Fett. Our primary concern is with the DOD, high-dollar spare parts breakout regulation.

Mr. LaFalce. Last fall, the SBA complained that a major obstruction to the goal-setting process was the lack of reliable operating data through the Federal procurement data system.

Now, has SBA been able to do anything to improve the situation since last fall?

Mr. Cardenas. A general comment, there is indication that it has improved, but there is need for much improvement as far as data base.

We are looking into it.

Mr. Kulik. There was a meeting of the Federal Procurement Data Council, again a governing body, last month at which many specific revisions to the system were discussed and agreed upon.

Many of them were ones that we had pushed, and some were ones that had been pushed by other procuring agencies.

If and when these are, in fact, implemented, it will help the system enormously in terms of the data base.

Mr. LaFalce. On your PASS, are labor surplus area companies listed on that PASS system?

Mr. Templeman. There is a code on each of the companies in the computer that is in the labor surplus area, and by asking the computer that question, it will call up those companies that are labor surplus area.

Mr. LaFalce. Is this updated per change in LSA areas?

Mr. Kulik. We have just received the new designation of LSA areas and as Mr. Madison mentioned this morning, GSA is to supply us with a tape that will update the information in the PASS system.

Mr. LaFalce. What is being done to provide a comprehensive listing of LSA firms to procurement center reps?

Mr. Kulik. Every PCR and many, if not all of the procuring agencies themselves, have access to the PASS system.

Mr. Templeman. It is not a hard-copy list, a real time, online system which we made the decision that this was far superior than a hard-copy list which is out of date before you can get it printed.

Mr. LaFalce. They simply have the ability to access that PASS?

Mr. Kulik. Yes.

Mr. LaFalce. Is there any way of monitoring to what extent they are using the capacity of the PASS system, then, to achieve the LSA goals?

Mr. Kulik. Not specifically to achieve LSA goals. We can tell you in gross terms, for example, how many requests were made of the system, and how many company profiles were displayed, but we can't specifically tell you how many LSA profiles were displayed or anything of that kind.

That is an area that we are exploring in terms of a new PASS contract that we are right now developing; the ability to count how many times a specific company profile has been displayed.

Mr. LaFalce. Well, I was not thinking so much of a specific company profile as I was thinking of how would a PCR, well, a representative find out the name of a specific company.

Wouldn't he have to just go to the PASS system and say, give me all those companies that make *x* widgets within labor surplus areas?

You just get a list of all the company names?

Mr. Templeman. More than just a name, it gives some other data.

Mr. LaFalce. I really don't know what should be done. I am trying to ask questions that will make the system work better, and make the program work better.

Mr. Cardenas, you have only come on board a few months or so ago.

Have you yet been able to introduce initiatives that would strengthen program implementation regarding these various preferential programs, or are you still just trying to size it up and see where the difficulties are and make improvements here or there?

Mr. **Cardenas**. Well, I think as we are reviewing these programs, we have made some moves which I feel are in the proper direction to improve programs.

In some of the financial assistance programs, and, as far as the contracting, the 8(a) program, we are making changes as we go along.

We are far from through.

Mr. **LaFalce**. I am just curious, I know you are far from through. I wondered if there was anything glaring that you have seen and say, oh, we have got to embark on this new initiative?

Mr. **Cardenas**. We want to review all the programs and make improvements, and once we have reviewed them all, set some kind of priorities to give specific attention to those like our disaster program, which needed immediate attention, just as we did in the 8(a) program.

We will be coming out with a new plan for the disaster program, which will certainly help. It is something that affects everyone and there is much need for improvement.

Mr. **LaFalce**. I understand what you are saying I also want to say that I commend you in certain of your activities. I think it was necessary to improve the administration of the disaster program, to curb its undue expense, and I also think that it is necessary to improve the administration of the 8(a) program.

And I hope that your efforts will serve that end.

There is going to be a lot of money going into defense in the future.

We have got a whopping increase this year.

I am wondering if you have proposed additional personnel to monitor 211 and breakout activity within DOD?

Mr. **Templeman**. We have not in this fiscal year or for that matter 1982, which was pretty well locked in before we got there.

We will soon be starting the 1983 budget cycle and certainly look at it with the increase in defense in mind.

That does not preclude the possibility of doing something sooner, but that is the next normal cycle.

Mr. **LaFalce**. I am not talking about additional people, but talking about using some of those 4,500 people in different ways.

Mr. **Templeman**. We need 5,500 now.

Mr. **LaFalce**. There is going to be a tremendous increase in defense spending, and it offers great opportunities for the small businessman, and if we can get in on the ground floor right away, we will be much better off.

If we can do something about 211 and we have got to do something about 211, if we can do something on Reg. Flex. and breakout activity with DOD, we will be helping the small businessman quite a bit.

The earlier, the better.

Mr. **Cardenas**. I would also like to acknowledge the concerns of the committee. It certainly adds to the security of our Nation in total to have our small business community involved in making defense items instead of going to foreign countries for that service. Hopefully we won't have to face that problem.

I look at it as an improvement in our overall security.

Mr. **LaFalce**. Mr. Cardenas, I am also informed that the Offices of Small and Disadvantaged Business Utilization, in many of the agencies have received substantial personnel cuts, and also that they have been frozen out of the decisionmaking process in many agencies.

Now, would you or your staff care to comment on that?

Mr. **Kulik**. We have a continuing relationship with the Offices of Small and Disadvantaged Business Utilization and during a transition period there are things being done, or contemplated. We do plan, when our resources permit, to do a survey of the status of the Offices of Small and Disadvantaged Business Utilization, not so much in terms of negative aspects, but to try and get the most positive features of each of those offices. We would make sure that the other offices are aware of the positive features, in effect, to share the good things that each office is doing.

If, by the same token, we find that there are certain parts of the law that are not being complied with, we certainly would recommend appropriate action.

Mr. **LaFalce**. Mr. Cardenas, in my opening statement I summarized a great many problems that small businessmen tell me they are experiencing. The representative from the Department of Commerce also suggested a great many changes in Commerce Business Daily. I would ask you to give me a written comment regarding all of those points that I can include in the record.

Mr. **Cardenas**. OK.

[Comments on suggestions of the Commerce Department aimed at improving the Commerce Business Daily follow:]

COMMENTS ON SUGGESTIONS OF THE COMMERCE DEPARTMENT AIMED AT IMPROVING THE COMMERCE BUSINESS DAILY

RECOMMENDATION NO. 1

Advertise all proposed procurements of $10,000 or more from both civil and military agencies.

Comment: Currently the only procurement actions meeting the established dollar threshold for synopsizing but which are not advertised in the Commerce Business Daily are those which fall into the excepted categories described in Section (e) of the Small Business Act. This section of the Act was added in September 1961 when Public Law 87-305 was enacted and details ten categories of procurement actions which are exempt from the synopsizing requirement. Adoption of this recommendation would therefore necessitate legislative action.

We would agree that a scrupulous review of some of the procurement areas now exempt from the publicizing requirement might reveal that, in some instances (e.g., personal or professional services, services from educational institutions), their excepted status is unwarranted. In the main, however, the synopsizing exemptions, covering such valid considerations as protecting the security of classified actions, guarding against delays in procuring perishable subsistence items, etc., are well warranted.

RECOMMENDATION NO. 2

Require the advertising of all competitive grants and the advertising of all subcontracts of $10,000 or more emanating from Federal grants.

Comment: Implementation of this recommendation would appear to open up additional procurement opportunities to small and disadvantaged businesses and we therefore support its adoption. We note, however, that in July 1978 the Administrator of the Office of Federal Procurement Policy (OFPP) directed all agencies "to furnish CBD notices (both synopsis and notice of award) in those instances when grants and Federal assistance programs offer significant subcontracting opportunities." Such notices were to be published by the CBD on a "space available" basis.

The fact that a recommendation for the publication of synopsis data on grants is being renewed, suggests that OFPP's directive is either not being implemented or that grantor-agencies do not feel that such grants offer significant procurement opportunities. On its face, the recommendation appears to have merit and should be supported.

RECOMMENDATION NO. 3

Require the advertising of all contracts modifications that would increase the expenditures by $10,000 or more.

Comment: This recommendation, if adopted, would result in such a vast array of notices being processed for publication as to necessitate an increase in the staff and size of the Commerce Business Daily. Undoubtedly a rise in the subscription price would follow.

We seriously question whether there is sufficient subcontracting opportunity potential for yet uninvolved small firms in modifications to existing contracts as to prompt support for this recommendation.

RECOMMENDATION NO. 4

Require the advertising of all proposed procurements for personal or professional services.

Comment: See comment on Recommendation No. 1.

RECOMMENDATION NO. 5

Require the advertising of all proposed procurements which are for services from educational institutions.

Comment: See comment on Recommendation No. 1.

RECOMMENDATION NO. 6

Require that all synopses of proposed procurements must allow 30 days for response.

Comment: We support this recommendation. While there may be some instances when a 30-day period, between publication of the synopsis in the Commerce Business Daily and the closing date for receipt of bids or proposals, cannot be accommodated, such instances should occur only infrequently. A 30-day submission period would permit firms ample time to carefully prepare and submit responsive bids and proposals and thus would do much to stimulate a broadened and more validly competitive climate. The recommendation warrants serious consideration.

Mr. **LaFalce**. I don't have any questions. We will also keep the record open for any further questions that any member of the committee or subcommittee want to submit, and you may respond to those questions at that time. Thank you very much.

We will now hear from the representative of the Department of Commerce, Mr. Steinhauser.

TESTIMONY OF ANTHONY J. STEINHAUSER, SUPERVISOR, COMMERCE BUSINESS DAILY, INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. **Steinhauser**. Committee members, ladies and gentlemen, my name is Anthony J. Steinhauser and I am the Washington supervisor of the Commerce Business Daily. I report to the Deputy Assistant Secretary for the U.S. Commercial Service, a part of the International Trade Administration, Department of Commerce.

The statement of my colleague Mr. John O'Malley, prepared for this subcommittee on this date, attaches the most recent copy of the report prepared annually on the activities of the Commerce Business Daily. A copy of this report is forwarded each year to the House Small Business Committee as well as the Senate Select Committee on Small Business.

Supplementing the factual information in the last annual report, it may be of interest to the subcommittee to know that as a result of the multilateral trade negotiations and through innovative use of the recently installed teletypewriter at the CBD described in the annual report, the Foreign Commercial Service of ITA has forwarded some $61 million in newly available possibilities of foreign government procurement for publication since the institution of this overseas service in March 1981.

Also, not previously reported, it may be of interest that about 140 items of each day's issue are earmarked as small business set-asides. Out of an average 800 entries, this means some 17 percent of published synopses are small business set-asides.

Further, to illustrate International Trade Administration efforts along the Commerce Business Daily line, it, as the lead agency in the executive branch, coproduces with the Department of Defense some 25 annual congressionally sponsored Federal procurement conferences.

As a current example, through mid-June 1981, there have been 10 conferences for 20 Congress people in eight States attended by over 5,600 business people. Over 2,000 attended export seminars, some 2,500 seminars on how to prepare bids with 1,600 women and 1,040 minorities also in attendance. One hundred and fifty prime contractors, looking for subcontractors, participated actively. All conferences received national Commerce Business Daily publicity at least twice.

In conclusion, it would seem appropriate for me to state efforts toward improved efficiency in fulfilling the mandate to the Secretary of Commerce in the Small Business Act will continue and that possibly the single most effective assistance to that end would be early approval of that part of the Federal acquisition regulation project which requires all agencies to forward synopses by the most expeditious means currently available, namely, the advanced record system of GSA.

That is all I have, sir.

Mr. LAFALCE. Thank you.

Mr. O'Malley, did you have a statement?

TESTIMONY OF JOHN O'MALLEY, EDITOR, COMMERCE BUSINESS DAILY, INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. O'MALLEY. My name is John O'Malley and I am editor of the Commerce Business Daily, a publication of the Department of Commerce printed in Chicago. The Commerce Business Daily originated in the Department of Commerce as a mimeographed newsletter distributed to businesspeople through the Department's field offices.

It has now some 38,500 paid subscriptions, is published every business day, averages 28 pages and in fiscal year 1980 published 168,000 procurement synopses. If I may, I would like to give the committee a copy of the 1980 annual report of the Commerce Business Daily for possible inclusion in the record because it recapitulates recent accomplishments.

It would seem in order at this juncture to also point out every issue of the CBD carries a statement of editorial responsibility which is to the effect that the Department of Commerce is responsible for compilation and editing only. All substantive information relative to procurement whether printed in the CBD or not submitted for printing is a responsibility of the agency concerned.

Also, it may be noted, Public Law 87-305, the Congress mandate to the Secretary of Commerce that he obtain and publish procurement information, provides no enforcement or investigative authority to insure completeness, propriety, or timeliness. Specific directives to agencies not in Public Law 87-305 are currently contained in the defense acquisition regulations of the Department of Defense and the Federal procurement regulations of General Services Administration for the civilian agencies.

In conclusion, it seems appropriate to state that policy direction to me comes from the Department of Commerce in Washington, U.S. Commercial Services, International Trade Administration, and that with that office, I have made numerous suggestions for improvement of the current regulations for inclusion in the to be published Federal acquisitions regulations of the Office of Federal Procurement Policy, Office of Management and Budget.

Thank you, Mr. Chairman.

[The annual report of CBD, fiscal year 1980, follows:]

ANNUAL REPORT—COMMERCE BUSINESS DAILY, FISCAL YEAR 1980

The Secretary of Commerce is required by Public Law 87-305 to publish Federal procurement synopses each business day. Responsibility for this function is delegated to the U.S. Commercial Service of the International Trade Administration. These synopses are published in the Commerce Business Daily (CBD) for all proposed procurements valued at $10,000 or more for military agencies, and $5,000 or more for civilian agencies. Also published are contract awards valued at $100,000 or more for military agencies and $25,000 or more for civilian agencies. These thresholds are established in the Federal Procurement Regulations for the civilian agencies and the Defense Acquisitions Regulations for the military. Further standardization and simplification of these regulations are current goals of the CBD staff. Through cooperation with the Office of Management and Budget, work is proceeding on new regulations with a target date of calendar year 1982 for them to become effective. Also, discussions have been initiated with the appropriated agencies to include in the CBD publication of foreign government procurement opportunities that will result from the recent Multilateral Trade Negotiations.

The purpose of the CBD is to give wide distribution to the approximately $100 billion in Federal procurement leads generated annually so as to benefit both the business community and the Federal procurement system. In fiscal year 1980 a one percent increase in CBD subscriptions was realized, bringing the total paid subscriptions to a record 33,600. In accordance with OMB authorization, an additional 1,250 free subscriptions were provided to selected organizations to improve accessibility for small businesses. The promotional effort to increase CBD subscriptions included distribution of approximately 1,000 information kits at ITA District Office seminars and about 14,000 sample copies of CBD to prospective subscribers at the twenty-five Congressionally-sponsored Federal Procurement Conferences held during the year. International subscribers, currently less than one percent of the total, are expected to increase appreciably over the next several years as a result of the Multilateral Trade Negotiations agreement.

In fiscal year 1980 approximately 167,900 procurement synopses were published, amounting to a one percent increase over the previous year. Procurement awards published in the CBD totaled 45,927 in 1980, approximately 17,000 less than in fiscal year 1979. This reduction in published contract awards resulted from a change in Defense Acquisitions Regulations which raised the reporting threshold from $50,000 to $100,000, thereby reducing the number to be published.

A goal of the CBD is to discourage agencies from issuing synopses that provide less than the twenty-day bid time required by procurement regulations. In fiscal year 1980 that number was reduced to 6,002—down from 6,344 in the previous year. To encourage improved compliance with published regulations, the CBD staff made over 1,100 telephone or letter contacts during the year with individual procurement offices.

Efficiency of the CBD operation has been improved through installation of a high-speed teleprinter which receives procurement synopses twenty-four hours a day, year-round. This equipment has reduced both editorial and overtime requirements; but more importantly, transmission time has been reduced significantly by 2½ to 4 days per synopsis. This time savings has produced the cumulative equivalent of 150,000 to 240,000 days additional lead time to business persons preparing bids. Currently, about 35 percent of published synopses are delivered to CBD through the automated teleprinter system. As additional agencies adopt use of the automated system, further time savings are anticipated which will benefit both the procurement and business communities.

In addition to Federal procurement and contract award announcements, the CBD was used during the year to disseminate important notices to the business community. Information contained in these notices included details of anti-boycott laws applicable to certain Middle-East countries, promotional material for Congressionally-sponsored Federal Procurement Conferences, and selected export opportunity synopses.

June 23, 1981.

Suggested Improvements in the Commerce Business Daily

1. Advertise all proposed procurements of $10,000 or more from both civil and military agencies.
2. Require the advertising of all competitive grants and the advertising of all subcontracts of $10,000 or more emanating from Federal Grants.
3. Require the advertising of all contracts modifications that would increase the expenditures by $10,000 or more.
4. Require the advertising of all proposed procurements for personal or professional services.
5. Require the advertising of all proposed procurements which are for services from educational institutions.
6. Require that all synopses of proposed procurements must allow 30 days for response.

John J. O'Malley, *Editor.*

Mr. LaFalce. Would you please, Mr. O'Malley, tick off some of those recommendations that you have made?

Mr. O'Malley. The first one is to advertise all proposed procurements of $10,000 or more from both civil and military agencies. Do you want me to elaborate?

Mr. LaFalce. If you would like.

Mr. O'Malley. Currently, the civilian agencies have to advertise all proposed procurements of $5,000 or more. The plateau for a small purchase though, is defined as up to $10,000. These small purchases only have to be on the market for 15 days, so it is almost impossible for an agency to get a synopsis in, for us to advertise it, and for it to do anybody any good. So what I am suggesting here is that all agencies follow the same rules. The military agencies have always published only those procurements of $10,000 or more.

The second one is to require the advertising of all competitive grants and the advertising of all subcontracts of $10,000 or more emanating from Federal grants. There seems to be some doubt about what really constitutes a grant and what constitutes a contract. If a competitive feature is used for the awarding of a grant, and the same feature is used for the awarding of a contract, there doesn't seem to be a proper differentiation between the two.

So far as Federal grants are concerned, let's say that a grant for, well, to a university to build a reactor or something of that nature, any subcontracts that would emanate from that grant should probably be published too.

Third, require the advertising of all contract modifications that would increase the expenditures by $10,000 or more. Currently they do not have to be advertised, and of course I have seen contract awards where the modifications were up to and over $100,000.

Fourth, require the advertising of all proposed procurements for personal and professional services. This was not included in the original law, but we have already got around to advertising procurements for architectural and engineering services on a space available basis.

Fifth, require the advertising of all proposed procurements which are for services from educational institutions. Many of these are almost businesses, in some aspects anyway, and it is a little hard to differentiate between them and private industry.

Require that all synopses of proposed procurements must allow 30 days for response. Of course, you have already mentioned that in your discussion with the people that have been witnesses today.

Mr. **LaFalce**. Would you think that last one might be the most important?

Mr. **O'Malley**. Yes, sir. More importantly than that, the current regulations would probably be adequate, except for the statement when feasible. To transmit the synopsis of proposed procurements 10 days before the solicitation is issued when feasible, and of course very few agencies seem to find this a feasibility. So, as a result, you get these last-minute synopses. Of course, synopses are not supposed to be transmitted to us any later than the day they are issued, but mails being what they are, you can well understand how long it takes some of these to reach us.

Mr. **LaFalce**. So what is the average time that that small business might have in order to compete?

Mr. **O'Malley**. Well, that again, you have mentioned 6 days. We don't publish anything that would allow prospective bidders 5 days or less. This sounds ridiculous, but we do write a letter to the agency calling this matter to their attention, that their synopsis was not being submitted on time and we cannot advertise this proposed procurement. But I couldn't come up with any average time but certainly there isn't enough time being allowed. This is the source of most of our complaints, that we receive in our office.

Mr. **Steinhauser**. If I may, Mr. Chairman. The annual statement attached to Mr. O'Malley's remarks tabulates some 1,100 calls which he and his staff made in that particular fiscal year to agencies that were remiss or late in filing, as a corrective action.

Mr. **LaFalce**. 1,100? Out of a total universe of how many?

Mr. **Steinhauser**. Something like 300,000 entries per year, 168,000 synopses, and the balance other entries of contract awards and various other publications.

Mr. **LaFalce**. Right now it is 10 days when feasible, correct?

Mr. **O'Malley**. That is correct.

Mr. **LaFalce**. Who promulgates that? Is that OFPP?

Mr. **O'Malley**. It is in both regulations, both the DAR's and the FPR's.

Mr. **LaFalce**. FPR's are put out by——

Mr. **O'Malley**. GSA.

Mr. **LaFalce**. It is GSA and DOD.

Mr. Steinhauser, could you tell me what you have been able to do to improve the basic delivery system?

Mr. **Steinhauser**. Yes, Mr. Chairman. About 2½ years ago we conceived the 3-tier Commerce Business Daily improvement project. The first tier we called the FAR project, the Federal acquisition regulation, the second we called data transmission, and the third we called data retrieval.

After about 6 months' work on the FAR project, we incorporated all of our thoughts for improvement in a paper which we submitted to OFPP; as a matter of fact, Christmas Eve, 2 years ago.

Mr. **LaFalce**. Could you supply this subcommittee with a copy of that paper you submitted to OFPP?

Mr. **Steinhauser**. Yes, sir. That paper included all the suggestions of Mr. O'Malley, with the addition of the one mentioned in my remark; namely, that synopses should be forwarded by the most expeditious means available, and of course our control of the FAR project is nonexistent. We are now in the hands of OFPP in that regard, so for practical purposes that aspect of the improvement project is awaiting further developments.

[Information referred to above follows:]

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

December 21, 1978

MEMORANDUM TO: Preston M. Bannister
Project Officer
DOD FAR Project Office
Room 1107 Chrystal City Bldg. No. 5
Arlington, Virginia 22209

FROM: Anthony J. Steinhauser
Director
Commerce Business Daily
U. S. Department of Commerce

SUBJECT: Suggested Changes to Proposed FAR coverage for Part 5, "Publicizing Acquisition Actions".

Reference Page 7, Line 169:

(a) The Small Business Act (15 U.S.C. 637(e)) empowers the Secretary of Commerce to:

(1) Obtain notice of all proposed defense acquisitions of $10,000 and above, and all civilian aquisitions of $5,000 and above, from any Federal agency engaged in acquisition of supplies and services in the United States, its possessions and Puerto Rico;

Suggested change: Insert .. . Defense and Civilian acquisitions of $10,000 and above ...from any Federal ....

Reason for change:

The maximum dollar amount for small purchases was raised from $2,500 to $10,000. The ASPR threshold for advertising proposed acquisitions in the CBD has always been $10,000. The FPR threshold for advertising a proposed acquisition has remained at $5,000. As no amendment was made as a result of this statutory change, acquisitions by civil agencies between $5,000 and $10,000, though legally considered small purchases that do not have to be advertised in the CBD are still liable for advertising in the CBD under the unamended statute. However, these small purchases are not left open to offerors for longer than 15 days and specifications do not legally have to be made available or even exist. This has resulted in the advertising of proposed procurements with very short lead times or having a Federal Statute ignored.

Reference: Page 7, Line 191:

Subscriptions for the CBD can be entered at any Department of Commerce Office or the Superintendent of Documents, GPO. Complimentary subscriptions are available to Government offices upon request.

Suggested change: Insert ... "on a need to know basis."

Reason for change:

The Department of Commerce must pay the postage on the complimentary subscriptions. Since this amounts to about $60. a subscriber, the Department cannot afford to be too liberal in this matter. Also, GAO has imposed a limit of 1,300 complimentary subscriptions on the Department.

Reference: Page 8, Line 222: (g)

5.202 Exceptions

Proposed acquisitions for the following need not be publicized as required in 5.201(a)

(a) Classified acquisitions

(b) Perishable subsistence

(c) Utility services when the contracting office has predetermined the concern to whom the award will be made, as authorized by statute;

(d) Urgent requirements when the Government would be seriously injured by the delay in receipt of offers or quotations more than 15 calendar days after transmittal of the synopsis or issuance of the solicitation, whichever is earlier;

(e) Orders placed under existing contracts.

(f) Acquisitions from or through another Government agency;

(g) Services from educational institutions.

Reason for change:

It is suggested that Item (g) be deleted because both Defense and Civilian agencies usually ignore this "Exception" and certainly an area of vast interest to the scientific community and those who could submit unsolicited proposals in a related area would be lost if these were not published.

Reference: Page 9, Line 231: (Exceptions for Publication in CBD)

Modifications to existing contracts resulting from price changes, engineering changes, overruns, definitization of letter contracts, and other similar transactions.

Suggest change: Insert and change to:

.....overruns and other similar transactions.

Reason for change:

Definitization of letter contracts should be advertised. How else can the public learn that there is to be a contract awarded if the "Definitization" is not synopsized as nothing was previously published on this proposed action.

Reference: Page 10, Line 239:

5.203 Time of publicizing

(a) Synopsize proposed acquisitions at least ten calendar days before issuing solicitations, or placing orders against basic ordering agreements if the BOAs were not previously synopsized;

Suggested change: Insert and change to:

.....acquisitions at the time the Purchase Request is issued or placing orders.....

Reason for change:

There seems to be no concrete reason for having the synopsizing of proposed acquisitions on the date of issuance. The time of prime action for synopses of proposed acquisition should be at the time the acquisition is first initiated. This should assure a proper response time to respondees.

Reference: Page 10, Line 247:

(c) If definite dates for issuing solicitations are not established, use dates on or about the intended date. If this is not feasible, synopsize proposed acquisitions not later than the date of issuing solicitations.

Suggested change:

The second sentence of (c) above should be deleted if Line 239 is changed as suggested above.

Reference: Page 10, Lines 265 and 266:

5.205 Special Situations

(a) Research and Development (R&D). So that potential sources may learn of unclassified R & D programs, contracting offices shall publish in the CBD advance notices of their interest in R&D fields. This will enable sources to submit information for evaluation of their R&D capabilities. Contracting offices shall publish subsequent projects involving acquisitions of R&D projects in the CBD unless:

Suggested change:

Contracting offices shall publish all subsequent projects involving acquisitions of R&D projects resulting in the previously published R&D Sources Sought Notice in the CBD unless:

Reference: Page 10, Line 270:

(ii) an advance notice published in the CBD was adequate to permit potential sources to request solicitations.

Suggested change:

(ii) Subsequent to the R&D Sources Sought Notice an advance notice published in the CBD was adequate to permit potential sources to request solicitations.

Reference: Page 11, Line 275: ... Architect-Engineer Services

(b) Personal and professional services. Contracting offices shall synopsize in the CBD personal and professional services, other than architect-engineer services, when it is feasible and in the best interests of the Government.

Suggested Change: Delete "when it is feasible and in the best interests of Government."

Reason for change:

The interpretation of this sentence is not uniform. It varies from office to office and from contracting officer to officer. Without definite instructions that can be applied government-wide, it is suggested that the final phrase in this sentence be deleted.

Reference: Page 12, Line 301

5.206 Synopses of subcontract opportunities

Suggested change: Insert... The synopsis shall include a reference to Note 27.

"Note 27: It is suggested that small business, disadvantaged and labor surplus area concerns interested in subcontracting opportunities under this acquisition make direct contact with the listed firms."

Reason for change:

To minimize redundancy

Reference: Page 13, Line 310:

5.206 (b) Prime contractors and subcontractors are encouraged to use the CBD to publicize subcontracting opportunities stemming from their Government business. Subcontract information should be mailed directly to the CBD. (see 5.208) and example.

Suggested change: End paragraph with ...to the CBD. (see 5.208).

Reason for change:

The remainder of this statement and the example is unnecessary if the preparation and transmittal instructions contained in 5.208 are followed.

Reference: Page 14, Line 334:

5.208 Preparation and transmittal of synopses messages

(a) Transmittal Contracting offices shall transmit synopsis messages of proposed acquisitions..

(1) In a timely manner;

(2) Daily via first class mail;

(3) Addressed to

U.S. Department of Commerce
Commerce Business Daily
Post Office Box 5999
Chicago, Illinois 60680

Suggested Change: (1) Delete "in a timely manner" and Insert "via the most effective transmission devices available or if none as in (2) below."

Reference: Page 14, Line 390:

(iii) Contracting office and address. Begin the name and address of the contracting office on the first line of the text. Do not abbreviate except for the names of States. The address may include an attention phrase directed to an official by name, title, reference code, and telephone number.

Suggested change:

It is suggested that the present statement be changed to read, if an "Attention Line" is used (Buyers name and/or Code and/or telephone. No.), it should be inserted as Element "P" as set forth in 5.208(a)(iv).

Reference: Page 14, ADD Line 392:

Suggested line to be added:

(iiii) The above until such time as synopses in suitable form for ADP processing are prescribed.

Reason:

ADP studies to accomplish this end are now in process.

Reference: Page 16, Line 412-414:

(c) Numbered notes: New notes may be added to the list when requested by two or more contracting offices, or by a senior contracting official within an agency. Contracting offices shall include the substance of numbered notes when a proposed acquisition is publicized under 5.102 or 5.205(c).

Suggested change: Insert and change to:

"New notes may be added to the list only when they apply to more than one Federal agency."

Reason for change:

Without this restriction the "Note System" would soon be inundated with "personalized" notes. Witness some that are presently included.

Reference: Page 25, Line 641:

Subpart 5.3 - Synopses of Contract Awards

5.301 General

Contracting offices shall synopsize in the CBD awards of all unclassified contracts exceeding $100.000 to be performed in whole or in part within the United States.

Exceptions to this policy include---

(a) Awards to SBA under section 8(a) of the Small Business Act;

(b) Perishable subsistence; and

(c) Brand name items for commissary resale.

5. 302 Preparation and transmittal of synopses messages.

Contracting offices shall:

(a) Transmit synopses messages of contract awards as prescribed in 5.208; and

(b) In addition to or in place of applicable elements in 5.208(a) (4) $*CITE$*, include in the synopsis message the following information:

(1) Contract number and date and, in parentheses, the solicitation number;

(2) Dollar amount of award;

(3) Name, size status ((S) for small business and (L) for large business), and address of the contractor;

(4) For FOB destination acquisitions when total shipments from a point of origin to a point of destination will exceed 200,000 pounds and destinations are firm --

Suggested change: Delete item (3) above.

Reason for change:

It is suggested that the size status of the contractor be omitted. This item was originally included so that certain limited statistics could be accumulated. These statistics are now derived as a by-product of the DD 350 or other agency forms.

Mr. STEINHAUSER. On data transmission, 1½ years ago we were able to install a high-speed teletypewriter apparatus in Mr. O'Malley's office in Chicago, which is on a 7-day-a-week, 24-hour-a-day standby basis, and that is the advance records system of GSA, which connects to some 2,400 military and civilian outlets around the United States and overseas.

As indicated in the annual report, last year some 35 percent of synopses were received by Mr. O'Malley through that means. As of the present time, some 55 percent are being received through that most expeditious means now available, and this of course is another way of saying our data transmission project is coming along favorably.

On the other hand, we are not fully satisfied with it. I have as an illustration of that a copy of the Commerce Business Daily dated April 13, and on the front page of it is an exhortation to all agencies including GSA to use that system. If I may, if it is of interest, I will submit that for the record also.

[The quotation from the April 13 CBD follows:]

ROUTING INDICATOR FOR THE COMMERCE BUSINESS DAILY

Government Agencies are advised that synopses of proposed procurements can be transmitted electronically directly to the Commerce Business Daily (CBD) from the United States as well as overseas locations. The Routing Indicator via Audodin is "Synopsis Commerce Business Daily RUCHODY" and via ARS it is "27207 CHODY." Invaluable days of additional bidding time are made available to potential suppliers as this system is operational at all times.

Mr. STEINHAUSER. As to the third project, data retrieval, that remains under study inasmuch as a market survey which we conducted about 1 year ago did not indicate a very wide either understanding or acceptability to the readership of the Commerce Business Daily.

On the other hand, we have not stopped our consideration of it, and I have a memorandum here dated June 2, 1981, and it is called An Advance Data Processing Initiative Description. What it contemplates is equipping the editorial office with modern videoscreen terminals for faster and more accurate editing of input, utilizing existing equipment in the Federal agencies that can provide synopses to the Commerce Business Daily directly through a special data base management and text processing computer.

We feel that if this is approved on a policy level, which it is not yet, that it would be a self-liquidating project. It would not cost any further money. However, while it should be noted at this time that the installation of these devices and techniques will substantially enhance Commerce Business Daily fulfillment of its mandate, an indispensable prerequisite for this is application for and approval of a waiver from the Joint Committee on Printing, which presently controls many aspects of the Commerce Business Daily production.

That, I think, Mr. Chairman, is all I can say at this time about the improvements we have installed and do contemplate.

Mr. **LaFalce**. Mr. Steinhauser, Mr. O'Malley, I want to thank you very much. I am sorry that you had to wait for such a long period of time, but as you perhaps note, I did call all your suggested improvements to the attention of the previous panelists and asked for their subsequent specific comment. You might get more results from that than you have been able to get in the past, so maybe it was worth it.

Mr. **Steinhauser**. Thank you.

Mr. **LaFalce**. Thank you very much. That will conclude today's set of hearings.

[Whereupon, at 2:25 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

SMALL BUSINESS AND THE FEDERAL PROCUREMENT SYSTEM

THURSDAY, JUNE 25, 1981

House of Representatives,
Subcommittee on General Oversight,
Committee on Small Business,
Washington, D.C.

The subcommittee met, pursuant to notice at 9:30 a.m. in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce, (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN LaFALCE

Mr. LaFalce. The Subcommittee on General Oversight of the Committee on Small Business will come to order.

This morning our subcommittee begins the final day of three hearings investigating the relationship between small business and the Federal procurement system. These hearings have focused on: One, the implementation of the congressionally mandated programs designed to insure that the Nation's small business sector has an equitable opportunity to compete for Federal procurements; two, the commitment, or lack of commitment, of the agencies and the administration to these programs; principally the 507, LSA, and various set-aside programs; and three, the obstacles which continue to frustrate small business participation in the Federal procurement system.

On Tuesday, the recently confirmed Administrator of the Office of Federal Procurement Policy attempted to suggest to this subcommittee that the congressionally required consideration of small business procurement problems could be expected to flow down from the overall simplification of the Federal procurement process. It was clear from Mr. Sowle's testimony that OFPP had failed to adhere to the congressional directive in Public Law, 95-507 to conduct analyses of the impact on small business concerns resulting from the revised procurement regulations that OFPP is presently drafting. It was evident that OFPP continues to operate under the unenlightened premise that Federal regulatory reform that benefits the Boeings of the world will automatically resolve the problems of small businesses which seek to participate within our Federal procurement system.

This same sort of attitude based upon a neutral Government policy toward small business was echoed in the testimony of Deputy Secretary of Defense Carlucci before the Subcommittee on Readiness of the House Committee on Armed Services on April 29. The Deputy Secretary stated in the course of his testimony that the Federal acquisition process had become "overburdened with socioeconomic programs" such as those programs for small business.

While Mr. Carlucci later claimed that his controversial remarks had been misunderstood—notwithstanding the fact that his written statement contained the same pronouncement—and while the Administrator of OFPP has promised to carefully review the Federal acquisition regulation revision in light of the requirements of Public Law 95-507; it is incumbent upon this subcommittee to determine whether the Federal procurement system is in fact pursuing a neutral small business policy in direct contravention of the congressional intent embodied in the 507, LSA, and various small business set-aside programs.

With procurement contracts in excess of $100 billion annually, the procurement policies of the Federal Government will either foster the growth of our Nation's small business or contribute substantially to the decline of small business by promoting the trend toward giant corporate control of both our economy and the Federal procurement system.

As I have said repeatedly, increased access to, and participation in, Government procurement by small business must rank as a very high priority. The small business community accounts for more than 50 percent of our private employment, 43 percent of the gross national product, more than 50 percent of all technological innovations, and most significantly, is the principal source of increased productivity in the economy.

An equally important reason has been emphasized in recent months through a steady flow of congressional reports and media articles documenting the threats posed to the national security as a result of the substantial erosion in recent years of the defense industrial subcontracting base. Yet when we review the record of recalcitrance established by the Department of Defense under Public Law 95-507 we must seriously question whether Defense has recognized this potential Achilles' heel of the procurement system.

Over the past 6 years, despite the fact that the amount of subcontracts let under Defense Department contracts has more than doubled—1975, $12.7 billion; 1980, $25.5 billion—the small business share of this subcontracting volume has barely risen from 39.3 percent in 1975 to 42.4 percent in 1980.

In the area of DOD prime contract awards to small business firms, the evidence is even more explicit. In 1975 small business accounted for 20.7 percent of all DOD prime contract awards. In 1980, following an increase in total prime awards from $38 billion in 1975 to $66 billion in 1980, the small business share had declined to 20.4 percent.

It is all too obvious that Public Law 95-507 has had little, if any, effect on the procurement practices of DOD. In my opinion the small business subcontracting levels achieved by DOD represent nothing more than business as usual. With two-thirds of all Federal procurements, DOD continues to ignore the express demands of Congress that small business be provided with an opportunity to compete for an equitable share of Federal procurements.

Despite DOD's refusal to aggressively implement the 507 program, there no doubt have been occasional instances where a prime contractor has mistakenly assumed that DOD would enforce the standards set forth in Public Law 95-507. Last Thursday, the subcommittee had the opportunity to hear the testimony of one such major prime contractor.

The Ocean Systems Division of Gould, Inc., accounts for more than $220 million in Government contracts annually. The Cleveland-based division presented testimony how the expansion of their small business supply and machining base, in compliance with the small business subcontracting requirements of Public Law 95-507 had actually resulted in savings of millions of dollars for Gould's Cleveland-based division.

Division representatives were refreshingly candid in their admission that they had initially viewed Public Law 95-507's small business subcontracting requirements as merely another costly, Government interference in the production schedule. In fact, a dismal past performance under Public Law 95-507 had dictated the need for creative alternative approaches.

Old ways die hard. Gould's purchasing people were comfortable and practiced in dealing with a wide variety of national vendors. They were also skeptical, indeed, that any benefits might accrue to the company as the result of some federally mandated program. The establishment of Gould's innovative small business outreach program required constant pressure and motivation from the highest levels of management to avert the death of this program in its infancy.

Once in place, the results were undeniable. The Ocean Systems Division expects to save from $2 million to $3 million in parts, services, and supplies on annual purchases of only $12 to $14 million. The most dramatic result of building a new base of 72 small local suppliers was the division's ability to reduce its cost of machined parts by 35 percent—with all awards made on a strictly competitive basis.

Ironically, based upon the available evidence of DOD's record of 507 enforcement, it is highly questionable whether Gould management had any reason to believe that DOD would have ever pursued their earlier 507 transgressions. DOD has not terminated a single prime contractor for violations of Public Law 95-507. Furthermore, there is little evidence that a lack of 507 compliance plays any substantive role in subsequent DOD contract negotiations.

In any event, if Public Law 95-507 is ever to achieve the potential anticipated by Congress and experienced by Gould—then it must become viewed as a DOD priority leading to increased security, a stronger economic base for the Nation and cost savings for defense procurements rather than as a socioeconomic burden.

Let me say I look forward to Dr. DeLauer's testimony regarding DOD's efforts to expand the universe of defense procurement opportunities for small business.

Does the minority have a statement they would like to make at this time?

OPENING STATEMENT OF HON. ED WEBER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Ed Weber. I would like to join with you in your concern you expressed in this excellent opening statement and point out that we now have the opportunity to reverse the trend set under a previous administration by a new leader and I would urge that we do make a fresh start and I welcome Dr. DeLauer to this proceeding today. It seems to me we do have this opportunity under a new administration to reverse an alarming trend and to carry out the mandates of earlier laws that apparently have not been adhered to under the previous administration. That concludes my remarks.

Mr. **LaFalce**. Thank you. I would generally concur with the opportunity that is presented. I also note Dr. DeLauer was only sworn in on May 7, 1981. I now call upon not only the distinguished member of this subcommittee, the former chairman of this subcommittee, but also the present chairman of the House Appropriations Subcommittee on Defense, Congressman Addabbo.

Mr. **Addabbo**. Thank you, Mr. Chairman. It is a pleasure to be back. It looks like a remake of where we were across the hall a couple of days ago.

Dr. **DeLauer**. It is a pleasure to spend a morning with you, Mr. Chairman.

OPENING STATEMENT OF HON. JOSEPH P. ADDABBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. **Addabbo**. We welcome you over here and Mr. Trimble and some of our old friends. Dr. DeLauer, you are the new man on the block and you bring some new people. We have had interesting hearings in the last several days. One of the things that concerned and riled me a little was what appeared to be some indifference by OFPP. They sound like it is almost business as usual or they did not know where their responsibilities were under their legislative authority as far as directing policy. I notice you refered to the OFPP and hopefully the new Director received a message that they must take some leads in giving direction to all the agencies including DOD. As you know, dealing with the Defense Department in my capacity as chairman, over the years we see so much about defense weaponry dismantled and becoming inoperative because of the fact of cannibalization of spare parts and lack of spare parts, many times due to the fact that the proper prime contract was behind in scheduling. There is more interest in the main part of the weapon rather than looking to spare parts. Congress has probably been at fault to some extent in not fully funding but often we have seen a prime put spare parts off until afterwards. As a result spare parts were not available and we had to cannibalize planes and many of our weapons. We have discussed this before my Defense Appropriations Committee and we discussed the interest we all have in the small business community because, as Chairman LaFalce pointed out, with the greater percentage being given to small business you have greater competition. We get away from this business as usual sole source which we know costs many dollars, taxpayer dollars, but also most important and equally important national defense dollars because a wasted dollar does not buy a gun or bullet. It becomes even more important because as President Reagan points out the small business community creates more than 80 percent of new jobs in our economy. OMB Director Stockman has also pointed out the importance of small business. It becomes more important when we see the dismantling of many social programs, many of the people programs, to feed this great monster of a Defense Establishment and then we see further waste of that defense dollar by avoiding competition, by avoiding breakout of large contracts; and when we see an almost reverse trend from break out to break back, bringing it from small business back to big business—those things not only bother us but will of necessity bother the taxpayer. I know from our previous conversation and testimony before us you have also expressed a concern and that you will try to correct this. I believe you and I take you at your word but taking you at your word does not mean we are not going to follow you, and the committee will follow you downstairs and over here also. Because it bothers me, Mr. Secretary when I look at your statement, and percentages always bother me especially when you play games with them—not you, whoever prepared the statement—when you show an increase, 50-percent increase—small disadvantage award from 1.1 to 2.4. Great increase but it means nothing. Especially when you make about 19 percent of small business prime contract awards, 46 percent for small business. When you match that against a $22 billion budget, take away your salary cost, pace that against the $100 billion procurement, $50 billion increase in 1 year in defense budget, then those percentages show that we are doing business as usual. I know the administration has said it is dedicated to change. You have given that testimony. I am hoping that we will see a change. We fought the same way with the Democratic administration. They were no better. No worse but no better. They played the same games with percentages and we do not feel, the committee does not feel, I do not feel and I do not think the taxpayers feel and I doubt that you feel that when we see that small percentage out of a total buy that that is a fair share, as you point out on page 2. I will now go back and put on my other hat to try to save some money over there so we can put it here. But when we talked before, we had small differences, we will have further differences, but I know right now, hopefully we both are on the same course, improving competition within our defense structure so that we get a better product for less part of the defense dollar with a greater proportion of that dollar going to small business. Thank you. Thank you, Mr. Chairman.

Mr. **LaFalce**. Dr. DeLauer?

TESTIMONY OF RICHARD D. DeLAUER, UNDERSECRETARY FOR RESEARCH ENGINEERING AND ACQUISITION, DEPARTMENT OF DEFENSE, ACCOMPANIED BY BOB TRIMBLE, DEPUTY UNDERSECRETARY FOR ACQUISITION POLICY; NORMA LEFTWICH, DIRECTOR, SMALL AND DISADVANTAGED BUSINESS UTILIZATION, AND STAN TESKO, DEPUTY DIRECTOR, SMALL BUSINESS ECONOMIC UTILIZATION POLICY

Dr. **DeLauer**. Thank you, Mr. Chairman. As the Undersecretary of Defense for Research and Engineering I have an additional responsibility as the Acquisition Executive of the Department. And so this is one reason I am here, to tell you what we are doing. With me is Bob Trimble, who is my Deputy Undersecretary for Acquisition Policy, Norma Leftwich, who is the Director for Small and Disadvantaged Business Utilization and Stan Tesko who serves as the Deputy Director for Small Business and Economic Utilization

Policy. My prepared statement with the detailed answers to the questions raised in your invitation to testify has been submitted for the record. That is the one that has been quoted from and I will make some remarks and open it up to questions which I think will get us to the substance of the matter.

Mr. LAFALCE. It is so ordered.

[Dr. DeLauer's prepared statement with attachments follow:]

PREPARED STATEMENT OF DR. RICHARD D. DELAUER, UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING, DEPARTMENT OF DEFENSE

Mr. Chairman: I am Dr. Richard DeLauer. I am the Under Secretary of Defense for Research and Engineering and as such am the Acquisition Executive for the Department of Defense. Appearing with me are: Bob Trimble who is my Deputy Under Secretary of Defense for Acquisition Policy: Mrs. Norma Leftwich who is the Director for Small and Disadvantaged Business Utilization and Stan Tesko who serves as the Deputy Director for Small Business and Economic Utilization Policy.

My remarks which follow are keyed to the topics listed in your invitation to testify before this subcommittee.

1. A progress report of your efforts to achieve compliance with the fiscal year 1981 goals established for the Defense Department under the Public Law 95-507 program.

We in DOD establish five discrete annual small business, small disadvantaged business and women-owned business goals. Our performance against that of fiscal year 1981 goals as of the second quarter is as follows:

[Dollars in billions]

	Total awards	SB awards	Percent	Goal	Percent ACC
SB primce contract awards	$37.5	$7.2	19.2	$14.5	49.7
SB set-aside awards	37.5	2.4	6.4	5.2	46.7
SB subcontract awards	13.9	5.5	39.9	11.2	49.4
Small disadvantaged awards		1.1		2.4	45.4
Women-owned business awards		.119		.235	50.6

As you can see sir we are pretty much on target. I believe we will meet these goals.

2. A detailed explanation of the reasons submitted by DOD to OFPP to secure and exception for federal supply schedule orders: foreign military sales requirements: work performed outside the U.S. which are contracted for by DOD purchasing activities within the U.S.: and requirements awarded to nonprofit and educational institutions. The 1980 total procurement volume and the 1981 estimate for each of the above activities.

The Department of Defense initiated the establishment of its annual small business goals in the mid-fifties, some 25 years before the passage of Public Law 95-507 in October 1978 which required all agencies to establish such goals. Further, while not required by Public Law 95-507 we also establish annual small business set-aside goals and, to our knowledge, are the only agency in the Federal Government which establishes such goals. This is a most important type of goal because setting aside requirements for products and services for exclusive participation by small business firms is a powerful tool for an agency to use in ensuring it is carrying out the most fundamental tenet of the Small Business Act, that of awarding a "fair share" of its procurements to small business.

With respect to establishment of a "base" on which we establish goals, we have expected orders under the Federal Supply Schedule (FSS) from the goaling process because we, the DOD, have no choice in selecting the vendors for purchases made from the schedule. These vendors are selected by the General Services Administration (GSA) and it is that organization which should be responsible for the small business rate of participation for products and services obtained from the schedule.

The merit of our recommendation that purchase from FSS should not be in DOD's or any other Federal agency's goal data base but rather in GSA's data base was approved by OFPP.

Foreign military sales do not lend themselves to small business participation. Foreign military sales consist almost entirely of the procurement of entire weapons and their support by a foreign government from large U.S. weapon systems developers and producers selected by the foreign country. Small business firms do not possess the technical nor the financial capability to participate in this area as prime contracts. The few exceptions where this small business capability might exist, and we don't know of any, does not justify the administrative and fiscal burden that would be placed on us if we would also have to pursue these types of procurements. The cost benefit ratio just isn't there.

On work performed outside the United States also does not lend itself to U.S. small business participation. These firms for the most part do their business within a certain part of the country while some do business on a national basis. Only a few small firms or disadvantaged firms do business outside of the United States because of the investment and expense involved in order to compete in the international market. Most of these awards, $4.5 billion or 83.3 percent of the $5.4 billion spent outside the United States in fiscal year 1980, were in four categories which the small business and disadvantaged business community does not participate. The first cateogry is construction. $520.4 million was spent in this area, mainly on large projects like construction of bridges, roads, ports, and pipelines in Saudi Arabia. The second category is services on which $1.2 billion was spent for technical support provided by our large weapons systems manufacturers to overseas military maintenance activities. This service category includes $2.4 billion for petroleum requirements for overseas military activities which offers no opportunity for small or disadvantaged firms. The fourth category includes "awards under $10,000" which accounted for expenditures of $359.9 million in fiscal year 1980. The low value of these individual awards does not justify efforts by American firms to participate in Department of Defense purchasing activity in this fourth category. In addition to the foregoing, $112.4 million was spent for perishable foods and $699.9 million was spent in the hard goods area, e.g., airframes, and components, missiles, vehicles, and ships which offer little or no opportunities for small or disadvantaged business firms. These six categories of the total of 26 categories amount to $5.2 billion or 96.3 percent of the total of $5.4 billion spent for work outside the U.S. These numbers clearly establish that there is little justification to attempt to expand the DOD small business and disadvantaged business programs for work performed outside the United States.

Contracts are generally placed with educational and nonprofit institutions after it is determined that the product or service is not available in the business community. DOD places awards with certain selected colleges because we are looking not for the applications of theories and concepts but rather for their discoveries. More specifically, we are looking for "basic" as opposed to "applied" research. DOD must have this flexibility to freely use this channel without concurrently adversely affecting the accomplishment of our small business goals.

3. A detailed explanation of DOD's failure to achieve its established prime contract award goal in fiscal year 1980 against both the project total of $62.4 billion and the actual total, including $10,000 and under purchases, of $66.7 billion which appears to represent a shortfall in excess of $1 billion.

A most important issue in the establishment of small business prime contract goals is whether or not you include purchases valued less than $10,000 in your data base. SBA insists these should be excluded because Public Law 95-507 talks only to establishing goals above this threshold while DOD believes the law does not prohibit including awards below this threshold.

There are some who believe that there is no need to goal awards valued at less than $10,000 because this same law requires that all such awards be "reserved" for small business unless the contracting officer is unable to receive offers from at least two small business firms. Therefore, these individuals also believes that just about all awards valued under $10,000 will be awarded to small business.

This belief is not borne out in fact. Based on our experience we have seen the rate of small business participation in this under $10,000 category of awards steadily decrease from 66.6 percent in fiscal year 1956 to a low point of 47.3 percent in fiscal year 1974. Since that time the rate of participation increased to 51.1 percent in fiscal year 1980.

Now why did we not attain our goal based on either approach? The principal reason was the goal established by OFPP was not attainable in our estimation. We proposed a goal of $12.5 billion which OFPP would not accept for reasons best known to that office. Realizing the pressure on OFPP, the DOD offered to raise its goal by $1 billion which in retrospect turned out to be a mistake.

We do not recognize "A shortfall in excess of $1 billion" in our performance against our fiscal year 1980 small business prime contract goal. We awarded small business firms $13.589 billion against a goal of $13.794 billion representing a shortfall of $205 million with $197 million of this shortfall occurring in one Army command.

The Deputy Secretary of Defense reported all of these factors to the administrator of SBA on 19 January last, cautioning her that every effort must be made to establish future goals that are not beyond any logical reach of attainment.

4. A detailed explanation of DOD failure to provide an actual subcontracting base for fiscal years 1980 and 1981. DOD's plans to remedy this reporting defect.

To understand this problem, it is necessary to discuss in some detail certain aspects of the subcontract goal process, and how the subcontract reporting system works.

On 31 August 1979, SBA transmitted to OFPP procedures to be followed by agencies in developing small business goals. The OFPP made no changes to the SBA document merely placing a transmittal cover sheet requiring all agencies to comply. Specifically, this policy letter stated, in part:

"(6) An estimate of the total dollar amount of the prime contracts to be awarded during the current fiscal year which will require the prime contractor to establish goals for subcontract awards to small business and to small businesses owned and controlled by individuals who are socially and economically disadvantaged."

SBA believes DOD can make an agency-wide estimate of (1) how many prime contracts and their dollar value will be awarded: and (2) the dollar value of DOD prime contracts which will contain subcontracting plans and goals.

The estimate was to be used by SBA as a basis for determining whether SBA would accept the fiscal year 1980 subcontracting goal established by DOD or recommend a different goal, possibly using a different data base than that used by DOD.

DOD does not believe a realistic estimate can be made of how many prime contracts DOD will award which will have subcontracting plans and goals. One, it is not known how much work defense contractors will keep in-house and how much they will subcontract out. Secondly, since such plans and goals had not been previously required, there was no past experiernce upon which to develop a meaningful estimate regarding future performance. Such an estimate would, in all likelihood, result in very specific overall subcontracting goals which would not be realistically attainable. Further, DOD has always included all small business and small disadvantaged business awards made by its prime contractors, not just those subcontract awards made against prime contracts valued in excess of $500,000.

DOD's performance would have been significantly lowered if all subcontract awards, including those made against prime contracts valued below $500,000, were not included in both DOD's goals and measurement of program effctiveness. See enclosures 1 through 3 for our subcontract awards and goal performance.

We believe that if the SBA approach were adopted, it would have conveyed the impression to prime contractors dealing with the Federal Government that only contracts over $500,000 are important in assisting small business and small disadvantaged business firms.

Our reporting system (DOD form 1140-1) as well as the Federal-wide replacement (standard form 295) collects all subcontract dollar awards, not just those made against contracts valued over $500,000; however, it does not show how many awards or dollar value are made above or below this threshold. Nevertheless, our data base for fiscal year 1980 for prime contract awards over $10,000 shows that the average dollar value of a prime contract awarded by DOD to be $232,291 indicating that an appreciable percentage of the subcontract awards being reported are on the basis of contracts below the dollar value that SBA wants to establish subcontracting goals.

There was no reporting system established which would have provided information on small business and small disadvantaged business awards made against prime contracts which had subcontracting plans and goals. The absence of such reported information precluded any evaluation regarding the attainment of any goal which may have been developed from the estimate SBA sought. Essentially, we felt it would be a mistake to establish a goal against which performance could not be measured.

Finally, while we did not provide SBA with an estimate of the dollar value of prime contracts which would have subcontracting goals, we did provide them an estimate for fiscal year 1981 ($48.2 billion) of the contracts which would be valued over $500,000.

Our letter of transmittal cautioned that;

". . . it should be noted it is not known, even in general terms, as to what amount of the contracts will not require subcontracting plans and goals because of the provisions of Public Law 95-507 which exclude: (1) work is to be performed outside the U.S.: (2) work is personal in nature; (3) offer no subcontract possibilities, or (4) awards made to small business firms. . . ."

Another important aspect of this problem must be identified. That is, on what type of awards do you establish small business subcontracting goals? Should such agency goals be established on the amount of prime contracts it awards or should they be based on the amount of subcontract awards made by its prime contractors. Over the years SBA has strongly supported the former while DOD has just as strongly supported the latter approach. It should be noted that the National Aeronautics and Space Administration, the Department of Energy and the General Services Administration also support the DOD position.

DOD provided a letter to OFPP on 31 March 1980 detailing all aspects of the subcontracting base problem and a 29 page letter with enclosures to SBA on 27 June 1980 detailing all problems associated with data base developed by SBA on small business goal composition and measurement against such goals. If the committee desires, we would be happy to provide you copies of these two letters.

In view of the foregoing, DOD provided SBA "an actual subcontracting base for fiscal year 1980 and 1981" on the total amount of subcontract awards expected to be made by our prime contractors. Therefore, DOD believes most strongly it did not "fail to provide" as stated in topic number 4.

The second point raised in topic number 4 in your invitation to testify is "DOD's plans to remedy this reporting defect." There is no need for such remedy because OFPP decided to accept the DOD position as the procedure to be followed by all Federal agencies.

5. A statement of specific cases, including the names of the companies, where a DOD prime contractor failed to comply in good faith with the requirements of section 8(d) of the Small Business Act and such failure was considered a material breach of the contract.

The Army, Navy, Air Force and the Defense Logistics Agency (DLA) reported that on completed contracts there were no contractors who failed to comply in good faith with the terms and conditions of their contracts. DLA reported that of the approximately 3,500 contracts which it administers which contain subcontracting plans, only 55 or .02 percent to be technical noncompliance. These are to be corrected prior to contract completion.

6. A statement of the number of DOD contracts which are not presently in compliance with section 8(d) of the Small Business Act.

The Army, Navy, Air Force and DLA report that as a result of their review they do not have any contracts which are not in compliance with this provision of the Act.

This information differs from the report submitted to the congressional small business committees which showed that there were 233 contracts within DOD which SBA considers to be were deficient in some degree by not including one or more of the six required elements to be contained in the contract.

We have asked the military departments and DLA to examine each of these contracts and report back to us by 15 July 1981.

7. An update of the four enclosures submitted to the subcommittee for the August 18, 1980 hearings on small business preferential procurement programs.

See enclosures number 4, 5, 6 and 7.

8. A statement of DOD's preliminary findings concerning the potential employment impact of the LSA set aside test project.

Businesses receiving contracts where performance will be in LSA's have reported that 2,986 additional employees will be required. In awarding 259 contracts in LSA's, the number of employees lost from non-LSA areas was 208. Those firms receiving contracts which will be performed in non-LSA reported that 2,502 additional employees will be required. For the purpose of the test, "employees required" have been defined as the total of (1) employees retained as a result of the contract: and (2) additional employees which will be hired to perform the contract.

We have serious doubt, concerning the accuracy of the potential employment impact as reported by these firms. Several problems involved are:

A. Many businesses believe that the amount of the price differential paid is influenced by the number of additional employees reported to be hired and therefore inflate the report in this regard.

B. In some industries dealers are prominent suppliers and several dealers may all use the same supplier and each dealer reports employee information obtained from a single supplier. When several or all of the dealers receive a contract, the employee information may be significantly inflated.

C. Many businesses take the position that this information regarding losses and gains in employee work force is not a requirement for contract award and therefore make unrealistic estimates.

It is expected that these cases may be substantially reduced as more experience is gained by the firms.

9. A statement of DOD's preliminary finding concerning the average price differential utilized in the LSA test project, to date.

The maybank test program officially began on 26 February 1981 and statistics covering three full months are now available. As of 25 May 1981, 568 contracts totalling $57.3 million have been awarded under the test. Of this amount 259 contracts totalling $36.7 million were awarded to businesses performing in LSA's, and 309 contracts totalling $20.6 million were awarded to businesses performing outside LSA's. DOD paid a price differential of $79,963 or .2 percent of the dollars awarded in LSA's. See enclosures number 8, 9 and 10.

An important statistic was complied during the evaluation of awards and is worthy of mentioning here. Each award made to a non-LSA firm was evaluated to determine the price increase or the price DOD would have paid if the award was actually made to the lowest LSA bidder. The price increase on awards made through 25 May 1981 amounts to $3.1 million or a premium of 15.4 percent.

In summary, I would like to state that this administration and both the Secretary and Deputy Secretary of defense believe in and are committed to an effective program which will provide for a strong and viable small business community. Without this, neither a strong and healthy national economy or a strong national security posture is possible.

This support was evidenced by President Reagan when in addressing a joint session of Congress on 28 April he stated:

"* * * Let us not overlook the fact that the small, independent businessman or woman creates more than 80 percent of all the new jobs and employs more than half of our total work force * * *."

DEFENSE SMALL BUSINESS SUBCONTRACTING PROGRAM

	FY 73	FY 74	FY 75	FY 76 +T	FY 77	FY 78	FY 79	FY 80
1. NO. CONTRACTORS REPORTING	765	713	701	733	737	810	833	1,023
2. VALUE SUBCONTRACTS	$11,094	$12,050	$12,712	$15,109	$15,038	$17,482	$21,244	$25,499
A. LARGE BUSINESS	7,123	7,443	7,717	9,445	9,175	10,367	12,174	14,675
B. SMALL BUSINESS	3,971	4,607	4,995	5,664	5,863	7,115	9,070	10,824
C. SMALL DISAD. BUSINESS	22	52	72	131	153	251	344	452
3. % SUBCONTRACTED								
LARGE BUSINESS	64.2%	61.8%	60.7%	62.5%	61.0%	59.2%	57.3%	57.6%
SMALL BUSINESS	35.8%	38.2%	39.3%	37.5%	39.0%	40.7%	42.7%	42.4%
SMALL DISAD. BUSINESS	0.2%	0.4%	0.6%	0.9%	1.0%	1.4%	1.6%	1.8%

DOLLARS IN MILLIONS

1455-1

SUBCONTRACTING PERFORMANCE
(MILLIONS)

	SMALL BUSINESS	SM DISAD BUSINESS
USA		
FY 79	$384/56.8%	$20/3.0%
FY 80	568/49.2	49/4.3
USN		
FY 79	$1,042/42.4%	$49/2.0%
FY 80	1,198/37.2	44/1.4
USAF		
FY 79	$2,308/30.3%	$112/1.4%
FY 80	2,871/31.7	142/1.6
DCAS		
FY 79	$5,336/50.8%	$164/1.6%
FY 80	6,187/51.3	217/1.8
DOD TOTAL		
FY 79	$9,071/42.7%	$344/1.6%
FY 80	10,824/42.4	452/1.8

1455-1

SMALL BUSINESS SUBCONTRACT PERFORMANCE SECOND QUARTER COMPARATIVE PERFORMANCE*

(millions)

	TOT AWDS	SA AWDS	%	FY 1981 GOAL	% ACC
		ARMY			
FY 80	$ 573.7	$ 267.1	46.6		
FY 81	539.8	246.7	45.7 ↓	$589.6	41.8
		NAVY			
FY 80	$ 1507.0	$ 585.8	38.9		
FY 81	1699.3	630.1	37.1 ↓	$1252.0	50.3
		AIR FORCE			
FY 80	$ 4365.8	$1396.6	32.0		
FY 81	3881.8	1030.0	26.5 ↓	$2925.0	35.2
		DLA			
FY 80	$ 6339.1	$3301.0	52.1		
FY 81	7746.3	3625.7	46.8 ↓	$6.434	56.3
		DoD			
FY 80	$12785.6	$5550.6	43.4		
FY 81	13867.2	5532.5	39.9 ↓	$11200.6	49.4

INCLUDES 222 APPARENT INCOMPLETE REPORTS

3191 1

DoD Prime Contract Awards
(Dollars in Thousands)

	FY 1978		FY 1979		FY 1980	
	Actions	Value	Actions	Value	Actions	Value
a. Total Procurement	11,036,615	$67,021,553	11,405,477	$70,956,014	12,071,805	$83,686,442
b. Negotiated Procurement	9,528,423	54,360,580	9,892,215	58,610,450	10,528,468	67,928,438
c. Sole Source Procurement	6,041,286	42,898,399	6,300,467	45,266,003	6,722,859	51,033,654
d. Competitive Procurement	3,654,073	14,819,430	3,761,004	16,840,924	4,400,706	19,414,145
e. Small Business SA	623,438	3,434,303	762,295	4,105,496	1,272,332	4,786,726
f. Labor Surplus SA	6,450	183,225	5,910	198,557	5,333	149,240

Small Business Set-Aside Goals
(Dollars in Millions)

	FY 1979	FY 1980	FY 1981
Army	$1,267	$1,639	$1,828
Navy	774	1,202	1,291
Air Force	641	806	1,043
Defense Logistics Agency	775	887	1,041

Enclosure #4

PRIME CONTRACT AWARDS SECOND QUARTER COMPARATIVE PERFORMANCE (billions)

	TOT AWDS	SA AWDS	%	FY 1981 GOAL	% ACC
		ARMY			
FY 80	$ 6.318	$1.242	19.7		
FY 81	7.858	1.559	19.8 ↑	$4.323	36.1
		NAVY			
FY 80	$ 8.415	$1.078	12.8		
FY 81	9.598	1.210	12.6 ↓	$3.886	31.1
		AIR FORCE			
FY 80	$ 9.066	$1.095	12.1		
FY 81	11.269	1.288	11.4 ↓	$2.643	48.7
		DLA			
FY 80	$ 4.735	$1.903	40.2		
FY 81	8.782	3.129	35.6 ↓	$3.609	86.7
		DoD			
FY 80	$28.534	$5.318	18.6		
FY 81	37.507	7.186	19.2 ↑	$14.461	49.7

3191 1

SET-ASIDE AWARDS SECOND QUARTER COMPARATIVE PERFORMANCE (billions)

	TOT AWDS	SA AWDS	%	FY 1981 GOAL	% ACC
			ARMY		
FY 80	$ 6.318	$0.524	8.3		
FY 81	7.858	0.824	10.5 ↑	$1.828	45.1
			NAVY		
FY 80	$ 8.415	$0.311	3.7		
FY 81	9.598	0.338	3.5 ↓	$1.291	38.2
			AIR FORCE		
FY 80	$ 9.066	$0.373	4.1		
FY 81	11.269	0.511	4.5 ↑	$1.043	49.0
			DLA		
FY 80	$ 4.735	$0.441	9.3		
FY 81	8.782	0.745	8.5 ↓	$1.041	71.6
			DoD		
FY 80	$28.534	$1.649	5.8		
FY 81	37.507	2.418	6.4 ↑	$5.203	46.7

3191 1

SMALL BUSINESS
SUBCONTRACT PERFORMANCE
SECOND QUARTER
COMPARATIVE PERFORMANCE*
(millions)

	TOT AWDS	SA AWDS	%	FY 1981 GOAL	% ACC
		ARMY			
FY 80	$ 573.7	$ 267.1	46.6		
FY 81	539.8	246.7	45.7 ↓	$589.6	41.8
		NAVY			
FY 80	$ 1507.0	$ 585.8	38.9		
FY 81	1699.3	630.1	37.1 ↓	$1252.0	50.3
		AIR FORCE			
FY 80	$ 4365.8	$1396.6	32.0		
FY 81	3881.8	1030.0	26.5 ↓	$2925.0	35.2
		DLA			
FY 80	$ 6339.1	$3301.0	52.1		
FY 81	7746.3	3625.7	46.8 ↓	$6.434.0	56.3
		DoD			
FY 80	$12785.6	$5550.6	43.4		
FY 81	13867.2	5532.5	39.9 ↓	$11200.6	49.4

INCLUDES 222 APPARENT INCOMPLETE REPORTS

Reporting Activity DLA-U
RCS Number DLA (SX) 2287 (U)
Month

DEFENSE LOGISTICS AGENCY
MAYBANK TEST
SUMMARY REPORT

SECTION I
TOTAL AWARDS MADE UNDER MAYBANK TEST

	Number		Dollar Value	
	Month	Cumulative	Month	Cumulative
Contracts Awarded Under the Test	436	568	$51,256,730	$57,357,852.15
Contracts Awarded in Labor Surplus Areas	201	259	34,262,481	36,726,304.15
Awards with Differentials	28	43	3,300,468	3,752,281
Awards without Differentials	173	216	30,962,013	32,974,023
Actual Price Differentials Paid on LSA Awards	28	43	67,088	79,963
Contracts Awarded in Non-Labor Surplus Areas	235	309	16,994,249.00	20,631,548.00
Contracts Awarded to Small Business in Labor Surplus Areas	157	209	31,346,935.39	33,661,686.39
Contracts Awarded to Small Business in Non-Labor Surplus Areas	189	252	15,802,370.80	19,226,500.80
Contracts Awarded to Large Business in Labor Surplus Areas	44	50	2,915,545.76	3,064,617.76
Contracts Awarded to Large Business in Non-Labor Surplus Areas	46	57	1,191,878.20	1,405,047.20
Additional Employees Required on Awards in LSAs	2,330	2,986	0	0
Additional Employees Required on Awards in Non-LSAs	1,554	2,502	0	0

SECTION II

TOTAL AWARDS MADE IN LABOR SURPLUS AREAS (LSA)

	Month	Cumulative
Number of Contract Awards	201	259
Value of Contracts Awarded	34,262,481.15	36,726,304.15
Awards with Differentials	3,300,468	3,752,281
Awards without Differentials	30,962,013	32,974,023
Actual Price Differential Paid	67,088	79,963
Differential Amount Before Negotiations	0.0	0.0
Percent Increase	.2%	.2%
Percent Increase Before Negotiations	0	0
Additional Employees Required	2,330	2,986
Number of Bidders:	951	1,299
Small Business in LSAs	440	550
Small Business in Non-LSAs	334	550
Large Business in LSAs	82	95
Large Business in Non-LSAs	95	104
Number of Contract Awards to Small Business	157	209
Value of Contracts Awarded to Small Business	31,346,935.39	33,661,686.39
Number of Contract Awards to Large Business	44	50
Value of Contracts Awarded to Large Business	2,915,545.76	3,064,617.76

Enclosure 9

Reporting Activity DLA-U
RCS Number DLA (SX) 2287 (U)
Month MAY 1981

SECTION III

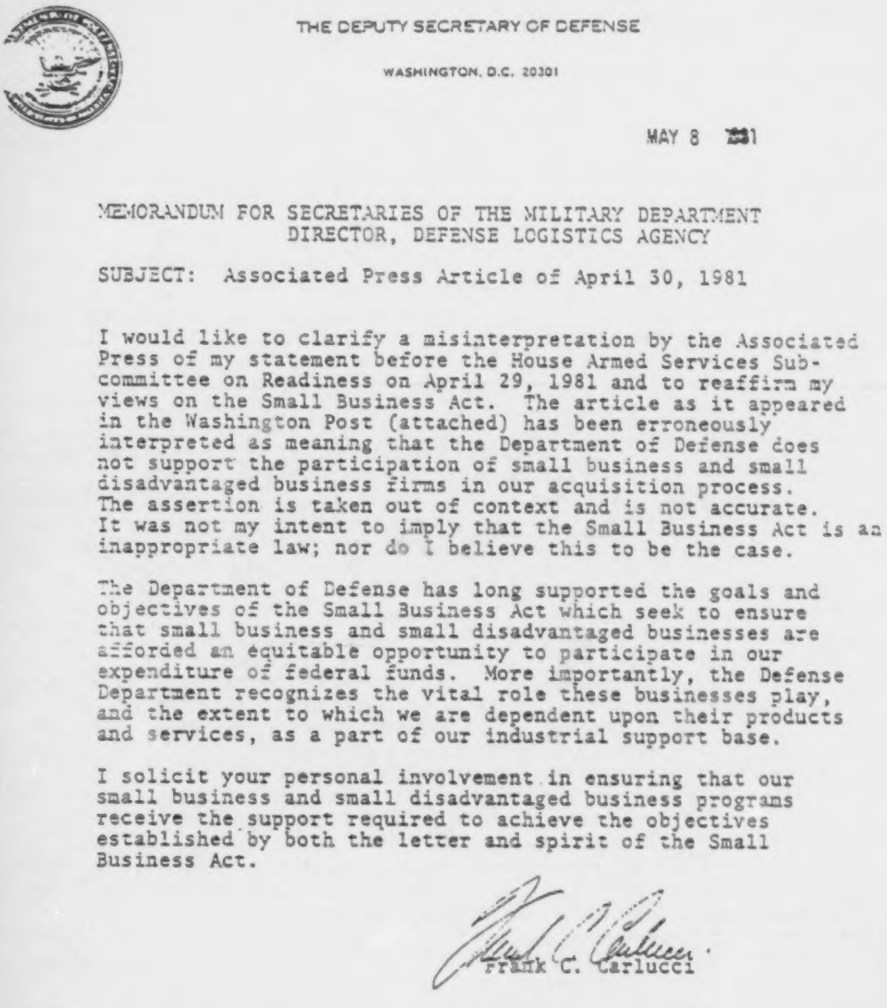
TOTAL AWARDS MADE IN NON-LABOR SURPLUS AREAS (LSA)

	Month	Cumulative
Number of Contract Awards	235	309
Value of Contracts Awarded	$16,994,249.00	$20,631,548.00
Price Increase (Price that would have been paid if awarded to the low LSA firm)	2,361,270.19	3,171,037.19
Percent Increase (Percent increase that would have resulted in contracts awarded to the low LSA firm)	13.9%	15.4%
Additional Employees Required	1,554	2,502
Number of Bidders:	1,260	1,762
Small Business in LSAs	180	266
Small Business in Non-LSAs	841	1,214
Large Business in LSAs	36	42
Large Business in Non-LSAs	203	240
Number of Contract Awards to Small Business	189	252
Value of Contracts Awarded to Small Business	15,802,370.80	19,226,500.80
Number of Contract Awards to Large Business	46	57
Value of Contracts Awarded to Large Business	1,191,878.20	1,405,047.20

Enclosure 10

Dr. DeLauer. I would like to state categorically both Secretary and Deputy Secretary of Defense believe in and are committed to an effective program which will provide for a strong and viable small business community. Without this, neither a strong and healthy national economy or a strong national security posture is possible. In your statement Mr. Chairman, you mentioned Secretary Carlucci's views. It was reported in the Associated Press that he made that statement but it was more complete in the fact he did not just single out small business. He identified some of the programs that he thought had some small burden on the Defense Department. However, subsequent to Mr. Carlucci's congressional testimony, in order that he would not be misunderstood, he sent a memorandum to Secretaries of all the military departments and to the Director of Defense Logistics Agency clarifying his views in regard to that article in which he reiterated his strong support of the small business program and the objectives of the Small Business Act. We will give you a copy of that memorandum.

[Memorandum referred to above follows:]



THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

MAY 8 1981

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENT
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Associated Press Article of April 30, 1981

I would like to clarify a misinterpretation by the Associated Press of my statement before the House Armed Services Subcommittee on Readiness on April 29, 1981 and to reaffirm my views on the Small Business Act. The article as it appeared in the Washington Post (attached) has been erroneously interpreted as meaning that the Department of Defense does not support the participation of small business and small disadvantaged business firms in our acquisition process. The assertion is taken out of context and is not accurate. It was not my intent to imply that the Small Business Act is an inappropriate law; nor do I believe this to be the case.

The Department of Defense has long supported the goals and objectives of the Small Business Act which seek to ensure that small business and small disadvantaged businesses are afforded an equitable opportunity to participate in our expenditure of federal funds. More importantly, the Defense Department recognizes the vital role these businesses play, and the extent to which we are dependent upon their products and services, as a part of our industrial support base.

I solicit your personal involvement in ensuring that our small business and small disadvantaged business programs receive the support required to achieve the objectives established by both the letter and spirit of the Small Business Act.

Frank C. Carlucci

Mr. **LaFalce**. Also Dr. DeLauer because of the fact that we have a vote right now and you are just beginning I think it is probably best that the subcommittee take a 10-minute recess. We will go and vote and we will return immediately.

Mr. **Addabbo**. I have questions for the record. May I submit them for the record?

Mr. **LaFalce**. Without objection it is so ordered.

[See Appendix 2, p. 453.]

Mr. **LaFalce**. The subcommittee will be in 10-minute recess.

[Brief recess.]

Mr. **LaFalce**. The subcommittee will resume the hearing. Dr. DeLauer please continue.

Dr. **DeLauer**. I will continue, Mr. Chairman. Let me pick up a little and be redundant. Mr. Frank Carlucci, the Deputy Secretary of Defense, in a memorandum on March 24 to the Secretaries of the Military Departments and the Director of the Defense Logistics Agency, reaffirmed the DOD position that the Small Business and Small Disadvantaged Business programs are not "A social endeavor but are programs upon which we are most depended upon to accomplish our national security mission." This memorandum will be submitted to you.

[Memorandum referred to follows:]

THE DEPUTY SECRETARY OF DEFENSE
Washington, D.C., March 24, 1981.

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS DIRECTOR, DEFENSE LOGISTICS AGENCY

Subject: DOD small business and small disadvantaged business programs.

The Department of Defense is charged by the Small Business Act to place a fair share of its awards for products and services with this nation's small business community. Further, Public Law 95-507 amended the Act in three significant ways. These changes require: (1) all departments to establish small business and small disadvantaged prime contract award goals; (2) prime contractors to establish subcontract plans and goals for individual contractors, and (3) all departments to appoint a Director of Small and Disadvantaged Business Utilization who will report to the head of the deputy of the department.

During fiscal year 1980 DOD awarded small business $13.6 billion in prime contracts, $10.8 billion in subcontracts and $1.7 billion to small disadvantaged firms. While this represents an increase to small business on a dollar basis, the ratio of small business prime contracts and subcontracts fell slightly in comparison to fiscal year 1979 awards. I am aware of difficulties in establishing realistic and challenging goals, and I not only plan to become involved in the goal-setting process, but will review DOD, Military Departments and Defense Logistics Agency programs on a quarterly basis.

I do not view our small business program as a social endeavor, but rather a plan to develop a key source of those products and services required to accomplish our national security mission. It should be noted that large business firms rarely provide us a product made entirely within their own organization. Small firms, totaling 10.2 million, account for 97 percent of this nation's business community, and they:

Produce 48 percent of the nonfarm gross national product.

Employ 55 percent of the labor force (firms under 100 employees).

Created two-thirds of all new jobs in the last ten years.

Produced 24 times as many major innovations as did large business.

The DOD does not solicit small business firms for approximately 60 percent of its dollar awards, but small business firms win half of the remaining 40 percent. Further, of the $13.6 billion awarded to small business firms last year, they won $8.8 billion on an unrestricted competitive basis with large business.

DOD has made significant progress in providing opportunities for small business and small disadvantaged firms to participate in our procurement process. I believe we can improve on this performance through review of our present procedures and the establishment of new program objectives and initiatives where required. In this regard, I request you insure that all Small and Disadvantaged Business Utilization Offices are staffed with the required number and grades of personnel to achieve the objectives established by statute and regulation.

I solicit your personal involvement and support and that of your commanders in this important endeavor.

FRANK C. CARLUCCI.

Dr. DELAUER. Mr. Carlucci also charged them to "insure that all small and small disadvantaged business offices be staffed with the required number and grades of personnel to achieve the objectives established by statute and regulation." We are going to comply with the statute and its regulation.

Let me add to those remarks my own observation that considerable interest has been focused on the role small business and small disadvantaged businesses must play in strengthening our defense industrial base, and appropriately so. It seems to me that Public Law 95-507 is indeed one mechanism which provides for us to continue to protect and encourage small business participation in the defense acquisition process. Obviously, to guarantee small businesses a piece of the pie in direct defense procurements, to provide as many competitive opportunities as possible—small businesses won $2 out of every $3 last fiscal year in open competition with large business—and to insure that they are adequately utilized at the subcontract level, all of these considerations contribute to strengthening the small business sector in this country, thereby strengthening our defense industrial base. Public Law 95-507 has been described as providing for the most far reaching changes to the acquisition process in recent memory. Its implementation has had its attendant difficulties. Industry at large has decried its increased reporting requirements and administrative workload and costs, as have members of the acquisition community. It has certainly required a whole new learning curve upon which many of us are still progressing. In my view, it is indeed this tremendously increased administrative workload and learning process imposed upon fairly static resources, that has been described as a burden. This is perhaps an unfortunate use of that word in this context because it has implied a lack of commitment and a feeling that this effort is unnecessary or unfruitful. This is not the case, and I can only quote from a memorandum sent out by Deputy Secretary Carlucci when remarks he made were interpreted as such:

> It was not my intent to imply that the Small Business Act is an inappropriate law: nor do I believe this to be the case. The Department of Defense has long supported the goal and objectives of the Small Business Act which seeks to insure that small business and small disadvantaged businesses are afforded an equitable opportunity to participate in our expenditure of Federal funds. More importantly, the Defense Department recognizes the vital role these businesses play, and the extent to which we are dependent upon their products and services, as a part of our defense industrial support base.

As the Department of Defense Acquisition Executive, one of my primary responsibilities is to improve upon the economy and efficiency of the acquisition process. By no means is this charge inconsistent with the spirit and intent of Public Law 95-507. Attempts to streamline, standardize procedures or reduce reporting requirements imposed by Public Law 95-507, or any other law or regulation should not be viewed as an insidious attempt to bypass the intent of good laws whose administration has become costly and time consuming. With more time and experience, I hope to aggressively pursue, internally at DOD, with OFPP and with the Congress, initiatives which will accomplish our joint objectives in the most economical and efficient manner.

Mr. Chairman, that concludes my prepared statement. My colleagues and I will be happy to answer any questions you may have.

Mr. LAFALCE. I thank you, Dr. DeLauer. We have several issues before the entire Congress right now. By right now I mean at 10:25. Paul Volker is testifying before the Banking Committee on which both Mr. Weber and I serve and we are also debating a very important rule, the rule on the entire reconciliation process on the floor of the House. Ed, did you want to ask questions before you go? Congressman Weber wants to hear Chairman Volker. We are going to therefore have an abbreviated hearing. Dr. DeLauer, on page 6 of your statement you concede that one of the most important issues in the 507 goal process is whether DOD should have the ability to include purchases under $10,000 in their 507 data base. You go on to state DOD disagreed with SBA's contention that the law prohibits contract awards under $10,000 from inclusion in the data base. The key fact here is not that SBA disagreed with your position that contracts under $10,000 should be counted or that OFPP acquiesced to DOD's demands to include these contracts under $10,000—DOD's actions it seems to me were in direct disregard of the clear and unmistakable dictates of Public Law 95-507 section 15(g) which requires that goals be established for procurement contracts having values of $10,000 or more.

Apparently that is page 5 on your revised statement.

Ms. Leftwich?

Ms. LEFTWICH. Mr. Chairman, the reason that the Defense Department has insisted on including awards under $10,000 in our goaling process is it has been our very strong feeling that these categories of awards at DOD No. 1, represent a great volume of our awards and indeed must be goaled for the procurement community because we have seen the rate of participation in the under $10,000 category for small business decline steadily over the years.

Mr. LAFALCE. You might be right, perhaps the law should be changed, but the question is what is the law? It seems to me whatever the law is that is, what you should use right now, and the law it seems to me is rather clear. I look to 15(g). It says the head of each Federal agency, that includes DOD, shall, after consultation with the Administration—referring to SBA—establish goals for participation by small business concerns and by small business concerns owned and controlled by social and economically disadvantaged individuals in procurement contracts of such agency having values of $10,000 or more.

Ms. LEFTWICH. We do goal both, Mr. Chairman. We goal both. We have goals for $10,000 and above and we do within our own discretion goal the under $10,000 category.

Mr. LAFALCE. In reporting your goals to the subcommittee, and to the record, which of the two goaling processes do you use?

Ms. LEFTWICH. We can report on both.

Mr. LAFALCE. I know you can, but which do you use?

Ms. LEFTWICH. We do both.

Mr. LAFALCE. Do we have that in our testimony?

Mr. **Quinn**. My understanding, Ms. Leftwich, is that with respect to including the approximately $3 billion worth of under $10,000 procurements you have insisted with SBA and OFPP that it is DOD's right to include these for purposes of 507 goaling which you have established with OFPP. Is that correct?

Ms. **Leftwich**. Our position has been that we will submit both goals, yes.

Mr. **Quinn**. The point, Ms. Leftwich, DOD has, in terms of establishing goals, insisted—and I am particularly referring to 1980 goals, and I presume it occurred in 1981 as well—to OFPP that DOD must be allowed to include $3 billion and under. Is that correct?

Ms. **Leftwich**. We insisted that it be recorded, yes.

Mr. **Quinn**. What section of 507 authorized that insistence that you pushed upon OFPP?

Ms. **Leftwich**. Mr. Quinn, I guess the answer to that question is that simply we don't think we are in violation of the law by doing it in that fashion.

Dr. **DeLauer**. I went over this yesterday, Mr. Chairman, with these people. It bothered me, and you will see it in my statement. It was put together by the staff. So much concern seems to be focused on what happens to the data base and whether the numbers have some kind of a magic quality about them. My view is we should get more business to the small business people. Now, we have found, after I have talked to the staff, we have found that by including contracts under $10,000 as part of our program we get better results because I assume the objective of 507 was to get more business to the small business people. Just the fact that the statute explicitly says exclude those from the data base, we will exclude them from the data base. But I will insist that our people look at the amount of money they are spending under $10,000 to go to small business as well as over $10,000. I think that is what your intent is and the intent of Congress.

Mr. **LaFalce**. I hope you will continue to insist that they be concerned that those contracts under $10,000 go, to the maximum extent possible, to small businesses. It will be a lot easier to do that. But in all candor, we expected that the bulk of the contracts under $10,000 would go to small business.

What we were concerned about was primarily the contracts of $10,000 or more in value.

Dr. **DeLauer**. The whole ball of wax.

Mr. **LaFalce**. So we established particular goaling requirements for that.

Dr. **DeLauer**. And we will comply with those.

Mr. **LaFalce**. In the reports that you have given in your testimony, the data you have given in your testimony regarding the percentage of your total awards going to small business, did you include those contracts under $10,000 or not?

Ms. **Leftwich**. Those were included.

Mr. **LaFalce**. So you did not give us the breakout the other way, the other way being the way that was called for by section 15(g) of Public Law 95-507, did you?

Ms. **Leftwich**. No; we have not broken that out. We can give you that.

Mr. LaFalce. That is the whole point. You come back to me, you answer my question as if, "Oh, Congressman, surely we give you what the law requires, but we go beyond that and we do both," and that was your way out of answering my question. When I asked what you have given in your testimony, not only have you not given me both but you have not given me that which the law requires. You have given that which you would prefer that the law require. I don't have any objection to you giving both, if you will, but certainly you must give what the law requires. It is so rational, so reasonable.

Mr. DeLauer. Mr. Chairman, we will comply.

[Information requested follows:]

DOD fiscal year 1980 Small Business prime contracts performance (less awards under $10,000):

Total awards	[1] $60,922.6
SBA awards	[1] $10,632.4
Percent	17.5
Goal (percent)	19.0
Shortfall (percent)	1.5

DOD fiscal year 1980 Small Business prime contract performance (including awards under $10,000):

Total awards	[1] $66,703.7
SBA awards	[1] $13,588.5
Percent	20.4
Goal	$13,796.6
Shortfalll	$205.1

[1] Dollar amounts in millions.

Mr. LaFalce. On page 9 of your statement, of your original statement, perhaps page 8 of the revised, you make the claim DOD cannot make a realistic estimate of the subcontract potential arising from DOD prime contract awards. Well, if we accepted this premise, we might as well scrap the 507 program. It is my understanding that the DAR Council finally approved the implementation of OFPP form 294 on Monday of this week, which will track subcontract dollar awards to small business. With this information together with DOD statistical resources there is no reason why DOD cannot submit a subcontracting base upon which performance can be judged. By the very nature of the DOD procurement process you know well in advance. The vast proportion of your procurement, decisions to buy planes, ships, and missiles are not made overnight.

Do you have any comment on the apparent recalcitrance of your statement on page 8? And now the decision to go ahead with form 294, would you like to expand upon that?

Mr. Tesko. Chairman LaFalce, we have been involved with SBA and OFPP for 2 years regarding the data base to be used for goaling. The problem goes beyond that of establishing the goals for subcontracting and what is the subcontracting goal to be based upon. For years the SBA has maintained the base of a subcontract award to small business should be on the basis of prime contracts awarded to our prime contractors. We have maintained that the base for goaling small business subcontract awards should be based on the total amount of subcontract awards made by our prime contractors.

In essence, once our prime contractors go out of house they are fair game for DOD to see they contract with small, and small disadvantaged business firms. When the first goaling process came up, SBA wanted estimates of how many contracts DOD was going to issue that had goals in them. There was no previous history on this. None whatsoever. We told them we have a size distribution which shows how many prime contracts we have made at different dollar levels. We know the value of our contracts and how much each year we have made at $10,000 and above. We can tell you how many contracts we are going to issue that are going to be above the threshold that require plans and goals, but there is no realistic estimate of how many will be exempted by the law because they do not have any subcontracting possibilities, are those for personal services, or those for work outside the United States.

Second, on the particular point because there was no reporting system with which to gather the information to measure performance against the goal, so we said we can't give you the estimate. We provided SBA an estimate of how many prime contract awards might be made in fiscal year 1980 which would exceed $500,000, but cautioned that it could not be estimated how many would have goals in them. Now when you follow up on what they wanted, they—SBA and OFPP came up and gave us a goal, of 21 percent. We have been doing from 37 to 42 percent over the last several years in small business subcontract awards. And you go back and look—we don't just pursue prime contracts valued over $500,000 with goals in them. We also pursue aggressively those contracts valued less than $500,000 which have no goals as the average prime contract in the Department of Defense over $10,000 was valued at $236,000 in fiscal year 1979.

Following SBA's approach you would not have a goaling process on those contracts valued over $500,000. We goal every penny we can. We try to influence every penny spent by our primes on behalf of small firms. When we ask why we are doing it this way, because to do it the way SBA wants it we could not compare our past with present performance and would not know whether we were making progress. More important, we would not be helping small business. We try to get every penny out of the prime contractor for small business and small disadvantaged business we can. We were the first ones to go after his indirect dollars, now being followed by the rest of the Federal Government agencies. So that is why we said we don't want to give you an estimate upon which will come out an erroneous goal which is not a challenging goal, not a reliable goal, and it is counterproductive.

Mr. QUINN. That is a worthwhile argument on behalf of that position. However, the fact of the matter is that based upon the history of the statute itself it was clear that the Congress was looking for some yardstick by which to measure everybody, and that is how the settlement was made with respect to the $500,000. It seems clear, however, that DOD wishes to have measurements by which it looks best both in the $10,000 and under, and by bulking in the $3 billion it was able to push in there, and also with respect to the additional contracts you are talking about here.

I don't think anybody questions the right of DOD to supply that kind of information, but the question is, Are we going to have DOD as a law unto themselves under 507. Is there going to be a 507 reporting uniformity throughout the administration or in fact is

DOD, when it feels the necessity, going to create and establish its own procedures by which it looks best?

Mr. **Tesko.** I think you cast that in the wrong contrast. The General Services Administration, NASA, Department of Energy, supports the Department of Defense in this approach. A meeting was held in Mr. Trimble's office with the acquisition executives of these agencies about 1 year ago and they agreed that it is not the DOD's position, it is the procuring community's position. It is not just to make DOD look good, it is to make the administration look—put it in a positive light, but also to enhance the opportunities for small firms to the maximum.

Mr. **Quinn.** Just one last question. With 294, which has finally been approved as I understand—perhaps for the record we can make clear there were no changes in 294 and there will be no limitations under DAR—it has been accepted as it has been accepted throughout the rest of the procurement community.

Ms. **Leftwich.** The substance of the form has not been changed.

Mr. **Quinn.** What about the implementation as it was implemented on the civilian procurement side? Are there any changes?

Ms. **Leftwich.** I can't imagine so. It will be distributed and utilized.

Mr. **Quinn.** Is there any problem with respect to the information that can and will be collected under these forms with DOD to supply a subcontracting base in the manner that SBA has attempted to secure in the past by which there would then be uniform measurement throughout the system? Is there any problem now?

Mr. **Tesko.** Mr. Quinn, I think when you discuss this thing about uniform base I think you have to appreciate that the SBA and the Office of Federal Procurement Policy [OFPP] have to recognize also what is the objective of the law. We feel it is proper to exercise our views in the formulation of what will be the uniform base and procedures for reporting it. We have been doing this goaling process long before Public Law 95-507, long before the other agencies. We have experience in this particular area. We have seen the pitfalls.

We try to get every dollar we can for small business. We know where the obstacles are. We are endeavoring to try to help, and we are being cast in this thing that we don't want to change because we have always done it that way. What we have done here is because we have learned from experience what does best for the small, disadvantaged business community, we want to pursue this with the Office of Federal Procurement Policy, what is best, what can we show you we are doing is the best.

The new reporting system—now we are required to provide a report back to DAR Council on July 1 on implementation of the original form. If you notice, the Department of Defense was the first to implement a new version of the subcontract reporting form, and we were accused of putting out an unlawful form which exhibits our's and OFPP's approach to this thing. We were in the DOD Small Business Office, established a reporting system long before any other Federal agency.

Mr. **LaFalce.** Dr. DeLauer, in earlier hearings a number of representatives of the small business community, as well as both the SBA and OFPP, testified before our subcommittee that there were serious deficiencies in the DOD spare breakout system and that there is a critical need to expand the opportunity of small business to bid competitively on spare part procurements. We were told that DOD has worked hand in hand with the original manufacturers to systematically code spare parts in such a way as to freeze out small business.

What is your perception of this problem and what would you intend to do about it?

Dr. **DeLauer**. Mr. Trimble and I talked about the breakout problem. I think he could give you more of the details of that.

Mr. **Trimble**. Mr. Chairman, I have personally sat on those coding committees. It has never entered my mind we were freezing out any category of contractor. All of our deliberations and considerations were based upon matters such as availability of adequate data that would permit us to solicit on a competitive basis the rights and data that had been vested in the designer of the equipment. This was done to determine whether or not the items to be coded for competitive procurement was something that could destroy the integrity of the system which could result in the failure of the complex major end item that we were dealing with. Therefore, I am a little bit taken back by the allegation that there is a conscious desire on the part of anybody to subvert the breakout process. I would go further to say it is true that my meetings have been with contractor personnel. I have found without exception that the people in the contractor's facility with whom I have worked or representatives of the contractor have had a positive attitude of "let's see how many of these items we can really break out."

You sometimes wonder whether they do indeed reflect the attitude of the top management of the concern. But I will tell you that at the operating level where I have sat these people have had a positive attitude on it.

Now this is a large business. It is possible somebody has found instances or you have had people report to you——

Mr. **LaFalce**. What percentage of all DOD spare part items are listed as open competitive?

Mr. **Trimble**. I'm unable to give you that. I have an expert behind me.

Do you have that information?

Mr. **Kemp**. I am Ira Kemp, U.S. Air Force.

Fifteen percent. A little more.

Mr. **LaFalce**. That seems pretty low to me. We received testimony from SBA that it is about 7 percent. So there is a factual discrepancy between an unbelievably low and then also extremely low. But in any event, it does seem to me whether it is 7 percent or 15 percent that is extremely low. Would you care to comment on that?

Forget about the conscious desire but let's just look at the results. Maybe that is not low, but it appears to be low to me.

Mr. **Kemp**. First let me correct—when you said open competition—I mean coded for competition, 15-percent coded for open competition, I think the number is around the 7-percent number you were talking about. That is when we have complete data packages and there is nothing to interfere with open competition. But it is measured against the total number of items managed in our system. That is an improper base against which to measure the items coded open competition because, first of all, not all items coded in the system are spare parts. Second, a lot of the items would never come into consideration for coding because we will not buy them in any large quantities or they have not been bought in many years; consequently, there was no need to expend the management resources necessary to go through the coding process.

The program is called the high-dollar spare parts breakout program. It provides for putting our resources for coding items against those items which offer the greatest payoff. Our resources are limited in terms of how many people we can devote to the coding process, and we do expend considerable effort. You have to make a conscious management decision somewhere along the way as to where you are going to cut off places. Additional resources and where you are going to expend them.

Mr. LaFalce. I suppose I would have to know much more about the process in order to give an adequate evaluation of it. It is just that I am so concerned that so many individuals both in SBA and OFPP think that this process is subverting the ability of the small business community rather than assisting the ability of the small business community. We might have to have a GAO audit on this because of the seriousness of their allegations.

Mr. Kemp. I don't know how to respond. I was not here when the Small Business Administration made their comment but I do know and I feel I can speak at least for the Air Force—I would not speak for the Department of Defense or the other services—but I know we worked very hard at the job which we do. There is a very active and a very conscious program to break out where it makes sense, and certainly this supports the small business program.

Mr. LaFalce. These coding sessions I would imagine are fairly important in this whole process. Do you think that it would be helpful in achieving the objective of getting more business to the small business community to have representatives of the SBA sit in on the coding sessions?

Mr. Kemp. Of the SBA? Certainly there are Air Force small business representatives there and I believe there have been small business representatives at some of the coding meetings. I cannot say that for a fact, but I do know as members of the coding team the Air Force small business specialists are normally attendees. Let me put it this way: Normal invitees—whether they attend I can't always vouch—but they are certainly on the list of people that are invited to the coding conference.

Mr. LaFalce. So we can advise SBA there is no institutional disposition against the SBA participation in the coding sessions in the future. Is that correct?

Mr. Trimble. I have no problem with that. We have procurement center representatives from the Small Business Administration at our depots where we handle the spares acquisition. I know of no closed door sessions that they are not permitted to attend. I will look into this matter; and unless there is some overriding reason which I do not know about, I will see they have that opportunity.

Mr. Chairman, I would just like to add here the fact that in the meetings that I have sat in I have been very much concerned about the time that is consumed. All day meetings, 8 o'clock in the morning until 5 o'clock in the afternoon. You almost get bleary eyed, and you realize you have gone through maybe 50 items. It is a long, laborious, hard process.

Mr. **LaFalce**. We have also received testimony concerning the nonavailability of bid sets and specifications on DOD, bid announcements. Do you have any general comment that you would like to make concerning that? There is a requirement that bid sets and specifications be made available, but the charge is that very, very often they are not available and this greatly hinders the ability of the small businessperson to compete.

Mr. **Trimble**. Mr. Chairman, I would like to give you a general response. Mr. Kemp, to my left, indicated he has also a response to this question. We are concerned about the allegation and we have looked into it in at least one of our major centers. That is the Naval Publications and Forms Center in Philadelphia. The Center processes approximately 1,200 orders or over 14,000 of these documents per day.

In a recent study at the Naval Publications and Forms Center, an independent consultant found 82 percent of all orders were processed within 2 days; 100 percent within 5 days upon receipt of the orders. The study went further to determine when the requesting company received them. They found over 40 percent of all orders took longer than 2 weeks to get back to the customer. We found out that the problem there is in the Postal Service and the handling of these documents within the requesting activity. Both of those are matters over which we have no control.

Mr. **LaFalce**. We then have a grave problem there. I am sure that the problem is both on the part of DOD and the part of the businesses involved. In other words, it is not just one party's fault. The question is, What do we do about it? Do you have any recommendations that you could make for improving that situation?

Mr. **Trimble**. I will reserve response to that until I hear what Mr. Kemp has to say.

Mr. **Kemp**. Part of the problem—and I just came from a meeting of the deputy directors of the Air Force Logistics Command; they called me back for this hearing, indicating I might be needed. And I talked to my people on this very specific subject. The number of bid sets is a very real problem, and it is a problem from a management point of view, from a Government point of view, and from an economic point of view. Certainly we want to provide bid sets to as many people as we can, but it is a matter of pure economics.

A bid set can be a very expensive thing. If you are going out for an $11,000 award and you spend $9,000 on preparing bid sets, it does not make sense, sir. It is not in the best interest of the Government to spend $9,000 to compete an item for which the competition is not going to provide any redeeming offset. It is a difficult problem.

If we prepare 40 bid sets, we can have a representative of many small businesses and we have this problem with Center representatives and we deal with these people, but they are essentially processors. They represent the contractors. They will come in and they can clean out a stockpile—aside from those people whom we originally solicited—they can clean the available bid sets out in a matter of minutes. Somebody else comes in and we reproduce and we reproduce, and our machines go day and night reproducing to provide bid sets on very small purchases. And a bid set is expensive, and if you provide the aperture cards, data packages that go along with it, it gets even more expensive. It is a matter of pure economics by trying to act in what is in the best interest of the U.S. Government.

We are continuing to provide bid sets to the extent we can, but you have to stop somewhere. How many hundred do we have to provide, sir?

Mr. LaFalce. The law requires that bid sets and specifications be provided. Now that is the flat fiat of the law.

Mr. Kemp. We are doing it.

Mr. LaFalce. Now at the same time the law has to be interpreted with a fair degree of reasonableness, I understand. But we have got a problem, and I just don't want us to throw up our hands and say we have a problem. I don't know that an attempt has been made by DOD to come to grips with the problem in some coherent way with some policy regarding this problem.

Now is there any general policy? Are you analyzing the extent of the problem? Are you trying to come up with some guidelines, et cetera?

Mr. Trimble. As a result of the problem as we see it, we are at this point in time working with the Naval Publications and Forms Center to determine whether greater use of automation and computer technology will assist us with this particular problem.

Mr. LaFalce. Dr. DeLauer, I think it would be fair for me to request your office to make a study of the problem and come up with some suggested ways of coping with it, some guidelines that could be used within a reasonable period of time. Would you care to comment?

Dr. DeLauer. We will do that, sir.

Mr. LaFalce. What would you feel would be a reasonable period of time?

Dr. DeLauer. Now we are in the midst of trying to implement some of these acquisition initiatives that the Deputy Secretary has promulgated, so I have to look at our overall workload because we have a limited amount of people. I would like to comment about your question about the process. Let me tell you about being on the other side of the fence. I ran a major defense organization for 23 years, at all levels of management.

Mr. LaFalce. TRW.

Dr. DeLauer. That is right. I also at the same time ran a sector of the corporation which included commercial businesses. It included credit authorization business. It included oil equipment business. And the defense sector of the business was more responsive to the aims and desires of what this particular law requires.

Mr. LaFalce. Providing bid sets and specifications?

Dr. DeLauer. Doing the whole job. Setting goals internally. Our subcontracting and purchasing organizations had a small business goal. We actually had an ad hoc council in the Los Angeles area, particularly, where all the contractors got together so we could talk about how we could do this. Because in some cases aggregating procurements could assist the small businessman. And we carried this out not only in the question of business for small business, in what you would call the prime contract area, the part you talk about, spare parts, but the indirect area is also important, buying stationery, buying paperclips, buying things that we have to buy to run the business.

The spectrum of small business organization that can handle that kind of supply is myriad compared to the ones that can give me an MX or Minuteman nozzle. We have to cover the full waterfront. The industry takes care of that.

I did not have that in my commercial business. No way was I going to have that kind of expense and that kind of direct thing in the commercial business. In the commercial business if we put something out for bid, we put it out for bid and who ever responded, responded. We did not do that in the oil business, particularly. But in the Government business we complied with the regulations and we had good success.

You talked about, in your statement—which I think is a good example—Gould. I had a group in Cleveland in Government business also. We also did the same sort of thing. Gould Ocean Systems is a Government contractor. It is a DOD contractor. And they are the ones that did that good program, and it was very good.

My group in Cleveland also participated in an outreach program for small businesses. We were a parts supplier, so we had to go for services and some indirect expenses. DOD, when I was on the other side, these guys were leaning all over me to be sure that we complied. I think our record may not be the best; it is good, it is going to get better, and we will comply with the law. But we will come back to you with suggestions of how the process might be improved to meet the intent of the law and to do what we are supposed to do, which is to revitalize the industry base. The more suppliers we have, the better off we will be and the better off the country will be. And we should concentrate on the process as it was intended to be: get the best amount of equipment for the least amount of dollars.

Mr. LAFALCE. Well, I think that we can all concur in your comment. Now to get back to my question, when can we have this analysis of the problem of providing bid sets and specifications?

Mr. TRIMBLE. We will provide it in approximately 90 days, sir.

Mr. LAFALCE. We would like to, perhaps, have hearings then in September or so. That will be approximately 90 days on this issue. Also, the representative of Commerce Business Daily testified that one of the most important reforms that could be made would be to increase to 30 days the required advertising period for noncritical procurements at least. Would anybody care to respond to that suggestion?

Mr. TRIMBLE. Mr. Chairman, 90 days—correction, 30 days is our norm, our standard. When I was running a contracting office, we had to have special justification to have less than that. Part of the problem that I think you are hearing about is just the lagtime of getting this information in to the Commerce Business Daily and having it published to the customers or to the contractor community. We normally allow 30 days.

Mr. LaFalce. You said also there is justification for a shorter period of time. Do you have any idea of what percentage of the time you do ask for justification for shorter time periods?

Mr. Trimble. I am unable to supply that. Mr. Kemp, do you know?

Mr. Kemp. Probably small.

Mr. Trimble. There seems to be some question about the figures that have been given to you by the people commenting on the Commerce Business Daily.

Mr. LaFalce. They were talking about 30 days for the required advertising period. I believe it is presently 10 days; is that correct?

Mr. Trimble. Mr. Kemp clarifies it by saying the rule requires that on an advertised procurement that it be publicized within the Commerce Business Daily for at least a 10-day period. The rule that we have in our contracting office is that the time from the issuance of the solicitation to the receipt of the—or bid opening period normally covers a period of 30 days.

Mr. LaFalce. One of the programs which this subcommittee believes is essential to the expansion of the procurement opportunities for small business is the SBA certificate of competency program. What is the view of DOD regarding the certificate of competency program?

Mr. Trimble. The Department of Defense complies with the rules that have been established for the certificate of competency program.

Mr. LaFalce. It sounds like an unenthusiastic perspective.

Mr. Trimble. Mr. Chairman, I think any manager finds it very difficult to serve two masters, and we have somewhat that situation with respect to the certificate of competency program. However, we do acknowledge the viability of this concept intended to insure that decisions made on the part of contracting officers have a second look by an outside activity to determine the competency of the small business firm who is competing for the contract award. This is accepted and there is a compliance within the Department of Defense to the rules that have been established. But I will tell you that as a manager, ex-manager of a procuring office it adds greatly to the administrative workload and time required to effectively and efficiently manage the overall procurement process within your office.

Mr. LaFalce. Dr. DeLauer, we have received testimony from representatives of the small business community that sometimes they don't even want to bother with Government contracts. And they were particularly talking about DOD in the examples provided, because of the hardships imposed upon them by communication with Government, particularly when Government change orders are involved.

We were given examples how simple communication that should have required a day or two would take 4 or 5 months, 13 months, et cetera, which truly upsets the total operational efficiency of the small business and makes the whole contract performance much, much more expensive, et cetera.

Now, this is an institutional problem I suppose, but I would also think to the extent that it is a problem, I think it is probably a big problem; it is tremendously expensive and perhaps pervasive throughout the whole system. Have you had any opportunity to witness this in your prior incarnation at TRW or especially in your past 1½ or 2 months, at Defense?

Do you have any thoughts as to how we can improve the process because the big businesses can roll with the punches.

They can realine. It is still expensive for them, to be sure, but it is really an impossibility for the small business.

Dr. DELAUER. I have a lot of thoughts on this because I have experienced it on both sides. It is hard to generalize. In some cases it is pure incompetence and I imagine there is some in that case.

In some cases it is the nature of the delay. What is behind it? You mentioned the change process. The change process is the hardest process because what the Defense Department, particularly in the weapons area, are attempting to procure is equipment that meets a particular performance requirement.

During the development process or even the manufacturing process, a problem might arise or a deficiency might result which calls for a change.

It has to be corrected. Particularly the form of the contract is very important. The nature of the contract to the prime or the major subcontractor is important. The minute the problem is identified, you put a hold on everything being done down the organization so you don't have a lot of obsolescent parts sitting around that you will have to pay for anyway. As a matter of economy you put a stop notice in saying a change order is coming in, stop what you are doing.

To a small businessman, small organization, this can be catastrophic. This may be his only product. What does he do, sit on his hands?

We try to give them relief. Almost every organization you will find in this business has buyers in their material organization who live with these people. They are friends. They do it by phone and he will say, "I have a real problem. What can I do?"

They will work the problem to see if they can handle it but it does not mean it worked in every instance to the satisfaction of the supplier.

In some it does. We had a case with a small business organization providing some electronic parts that turned out to be defective. When we got them coming in for inspection, we said, "Stop until we find out what is the matter. Is it our fault, the way we tested it, or is it your fault, the way you are building it?"

We in DOD are being asked to buy and to procure and to field products that work. This involves making changes.

As a consequence, there will be changes being made and the chain from development through procurement is so long that there is bound to be some hardship at all levels.

When you say all the big guys can handle it—there are some that can and some that can't.

Mr. LAFALCE. It is easier for them.

Dr. DELAUER. He may be having a lot of people standing around waiting for something to happen because somebody else in the chain has a problem. That is one reason the small businessman is helped. That is one reason stability helps. It is one reason we are talking to Mr. Addabbo's committee, and everything else about ways to have greater stability.

In fact the people want to work with DOD. These uncertainties are one of the things we are trying to smooth out.

It is one of the initiatives. Deputy Secretary of Defense Carlucci's initiative is to create more stability in the defense marketplace. We believe with more stability you will have more people come in to do business with us.

More people will make the required investments. Just the things you are talking about, the amount of time advertised in the Commerce Daily. It takes an organization time to respond to proposals like that.

Many small businesses don't have that capability to respond on very short notice to some of our requirements.

We at TRW had a proposal organization that made sure that everybody read that Commerce Business Daily two or three times. We had requests in to the Navy office so that when bid packages did come out we had them mailed directly to the bidding activity that might not of even been in California. It may have been some place else. That was a big expense.

Small businesses can't do that. We have to look at ways to assist them. We are looking at the broad spectrum of the acquisition process, and there is one thing we have to remember, we are trying to get quality products, and the nature of quality products and high technology is the fact that sometimes you are going to have glitches in the program and will have to stop it. It is at this point we have to go back and make necessary changes.

We are going to try to predict these sort of things, but it would be silly for me to tell you that we can do it everytime.

Mr. LAFALCE. We will never completely eliminate the problem, but we probably can improve it tremendously if there is a real strong commitment to do that.

If the commitment is so strong and so well articulated that it permeates to the field level.

Dr. DELAUER. I have 31 initiatives I have to promulgate down through the institution of which this is a sub set of one, but we are going to have to do it though and I accept the challenge.

Mr. LAFALCE. I would appreciate it if you would do me the favor of reading the testimony which was given before the subcommittee last Thursday of one company in particular. I am familiar with the company because it is in my congressional district. It is only a 6-page statement or so. He, with great specificity giving the number of the contract, points out what the problem was. How many phone calls he had to make, how many letters he had to write just to get a simple change order.

One was 4 months, one 5 months, another 13 months, et cetera.

I don't want you to comment on each of the cases; I just want you to read it because it is probably representative not of the total universe, but of enough of the universe that a very serious problem exists there.

Dr. DELAUER. I will take a good look at it. I will read it personally.

Mr. LAFALCE. Let's talk about a couple of programs in generalities. The 507 program, now, that is pretty broad. When I say 507, it encompasses a lot of things. Let's take one aspect of it, the subcontracting.

It is one thing to have a prime come up with a plan for you to deem that plan to be acceptable or for you to deem that plan to be unacceptable.

Let's suppose you deem it unacceptable. If it is unacceptable, he is just not going to get the contract until he works it out, but if we are interested in substance rather than information you don't just want a plan.

We want adherence to the plan. So there has to be some type of monitoring. Maybe not on every single contract, but at least on some random basis.

What is DOD doing to insure that there is adherence to the plan for compliance?

Dr. **DELAUER**. The people that sat down with our people in California was the plant representative. In the case of TRW, at one time it was DCAS, now it is the Air Force. This compliance is one of the things on their list, how we are complying with small business regulations.

OSHA is another. Equal Employment Opportunity is another. EPA is another. Small Business is another, and they review on a systematic basis. "You said we are going to do this and how have you been doing?"

So at that level it is certainly reviewed. I have sat in on the meetings.

Mr. **LAFALCE**. It sounds a little informal—I am not saying that it is inappropriate, but is there any more formal way of indicating the extent of compliance?

Dr. **DELAUER**. I don't know whether by formality do you mean——

Mr. **LAFALCE**. Is there anything in writing?

Mr. **TESKO**. With the standard form 295 which is a summary subcontract form, Chairman LaFalce, in there is a breakdown which gives four elements of information for small business subcontracting plans and goals accomplishment on complete contracts and four for the small disadvantaged. It also gives the number of active contracts not yet completed.

Mr. **LAFALCE**. But 294 was accepted on Monday. Has 295 been accepted also?

Mr. **TESKO**. That is already out in the field and it is effective with the reporting period at the end of this month.

Mr. **LAFALCE**. We have not had any monitoring of compliance up until now, have we?

Mr. **TESKO**. I would not say that.

Mr. **LAFALCE**. We have not had the standard form 295 up until now?

Mr. **TESKO**. We have not had 295 with goals because we had DD form 1140-1, but the monitoring we have had within the Defense Contract Administration Service (DCAS) which has approximately 52 small and disadvantaged business specialists in that one organization who do the largest share of our contract administration for the adherence to these goals.

The military departments for the contracts they retained for themselves for contract administration—they have contract administration individuals who conduct reviews for this compliance. More specifically from our level we determine how we are doing as a department by reviewing the SF 295, the summary form subcontract which gives us those four elements I mentioned before, Chairman LaFalce, and we are able to tell what each contractor did, the number of active contracts he has which have goals, the number completed, the number completed that met the goals, and how many contracts on the goals were not met.

This is a quarterly summary of our information available at our level. We know the last time we conducted a surveillance review of each prime contractor's small business subcontract program.

We have insight into some 1,200 prime contractors in the Department of Defense but not to the degree of each individual contract with goals in it. The new standard form 294 will provide that information to be reported by the prime contractor to our administrative contracting officer.

I might add we have gone through a learning curve of two reporting quarters and there is a lot of learning to be done in order to assure that we receive accurate and timely reporting.

I think with the final report of fiscal year 1982 we should have solid data from our primes and we will be able to respond to you.

Mr. QUINN. Over the past year have your people been supplying you with monitoring reports on followup compliance reviews?

Mr. TESKO. On those prime contractors which is the responsibility of a particular activity like DCAS, they have the surveillance responsibility. However, we do not receive reports of these compliance reviews.

What we did for this hearing was to ask the service for how many contracts they had for which they were making their goals. They said most all of them had. Now, frankly, SBA gave the report which they presented to your committee that there were some 220 contracts within the Department of Defense that were not in interim or final compliance. We took that list by contractor and we have gone to each military department and requested a report by the 15th of July explaining the reason why the contract was not in compliance.

We found out that in some cases of SBA report of noncompliance the reason was that the prime had not as yet made any subcontract awards.

Mr. QUINN. You said that these separate agencies are doing monitoring and have reports. Do you get copies of those?

Mr. TESKO. Not at headquarters.

Mr. QUINN. So there has been nothing flowing into your office relative to followup compliance by the different services?

Ms. LEFTWICH. No. We have not collected that from the field activity. We have recently talked to SBA and they have agreed to copy our headquarters office with the compliance findings so we can go back to the field and make sure our primes are in compliance.

Mr. QUINN. This is just the SBA or are your own people doing random compliance reviews?

Ms. LEFTWICH. Our own people are doing random compliance reviews.

I assume those reviews are handled at the departmental level of office of small and disadvantaged business. But they are getting reports up through the field to those level offices.

Mr. **Quinn**. Is nothing coming to you?

Ms. **Leftwich**. They have not come to me.

Mr. **Quinn**. Hasn't that occurred to anybody as a tremendous oversight?

Ms. **Leftwich**. It has occurred to us. We are asking for the data now. We have collected that.

Mr. **Tesko**. On that point, I think you have to look at the management of the program from the Office of Secretary of Defense level.

That is, as Mr. Trimble says, a contract administration function.

The number of contracts that will have goals will be some 11,000. We do not have that contract administration capability at the headquarters level. That is why we roll up the information on this new form, so we can tell which military departments are not making their subcontract goals and which prime contracts are not making their goals.

We can tell you the prime contractor and we can tell you when we last looked at his subcontracting program.

So we look at it on an exception basis.

Mr. **LaFalce**. It seems to me that the 507 is only going to work if there is some effective oversight of compliance and we have not had that up until now.

It is imperative that we do so in the future. To the extent that the 295 can be of assistance in this effective oversight of compliance, fine. To the extent you delegate that to the field as opposed to doing it in Washington, that is a means and I would not quarrel with that means, so long as it is being done and there is some report coming into Washington to this committee regarding compliance with 507.

Now, let's assume that we do have knowledge of compliance, and we see that the *x* number of primes are not complying and that the *x* number of primes that are, and that of the primes that are a small percentage are just doing exceptionally well.

Has there been in the past any punishment, if you will, for those who obviously have been recalcitrant in complying with 507?

Has there been any incentive provided for those who have gone overboard in attempting to comply?

Is there any policy within DOD regarding the future? What will your future treatment be of prime contractors who are really bad and what will your future treatment be of prime contractors who are truly outstanding and exceptional since the law does specifically provide for incentives for contractors who excel?

That is a specific provision we wrote into the law. Any comment on that from either historical perspective or from a future perspective?

Mr. **Trimble**. I believe, Mr. Chairman, the law provides for a test of an incentive provision. We decide to require that the test is started to determine whether or not incentive provision would have any material benefit to the overall compliance on the part of our contractors for the intent of this particular program.

There is also this controversial issue about material breach, whether or not you can truly default the contractor. That is a matter that has not been totally resolved as of yet.

Mr. **LaFalce**. Let me just point out when you talk about the law—the law does not mention a test of incentives. Perhaps you want to have a test. That is fine, but the law just says you are authorized to provide such incentives as you want to.

Now, I have no quarrel with the idea of a test but it is not a provision of the law. Also, insofar as the law is concerned, we were quite careful that we debated what should be a breach or should be a material breach of the contract not to comply.

With deliberate, specific, premeditated intent, we said we shall make this a material breach of the contract with the thought in mind that the Federal agencies could then have a much greater stick, if you will.

We tried to provide both a stick and a carrot and I am wondering how you have used the stick, how you have used the carrot and how you might use the stick and how you might use the carrot in the future.

Mr. **Trimble**. Mr. Chairman, I appreciate the fact that with respect to the word incentives, that you indicate that the law authorizes incentives.

Mr. **LaFalce**. We don't mandate it. We just authorize it.

Mr. **Trimble**. That is correct. I will have to say, we have not reached a firm determination in the Office of the Secretary of Defense about the viability of the incentive provision.

I would say also that we have not formed any firm conclusions about the overall carrot and stick approach to this.

As was indicated in the prepared testimony, this law is one of the most significant that we in the procurement profession have had to assimilate in my knowledge.

I have seen a number since 1951. I think that it is wise for we people in Government who have the power to issue regulations that have a very significant impact upon the business community to proceed with caution as we make particularly penalty-type provisions that will have effect.

Mr. **LaFalce**. I agree with you on that general statement, Mr. Trimble, and Dr. DeLauer.

I want you to take note of the fact though that we passed this law in 1978 and it is now 1981. I think that there has been plenty of time for deliberation.

I don't think we are being unreasonable or pushing you unduly after a 3-year period to say what have you done about that.

It is one thing if we had come back at the end of 1978 and pushed this point, but it is now June 1981.

Apparently you have not given much thought in the past to it, but Dr. DeLauer, I would encourage you, before your next appearance at this subcommittee, and I don't know exactly when that is going to be, but before the end of the year, to be sure, to give thought to both the stick and the carrot; the appropriate role they could play in the forceful implementation of 507.

I can't speak on this issue with any great detail, but it does concern me.

I was just apprised yesterday that in the Department of Defense authorization bill which was just generally debated yesterday and won't come up for vote and amendment until after the congressional recess, there is a provision in that law that was included in that law at the request of the Department of Defense, which exempts portions of your procurement process from all small business laws.

I am going to have to investigate that more thoroughly, but it concerns me that it is in that authorization bill—it concerns me that it is apparently in there at the behest of the Department of Defense.

I received a letter from Chairman Jack Brooks of the Government Operations Committee regarding it.

Because I have only had an opportunity to scan it, I can't go into that in great detail, but I will be communicating with your office regarding it.

I give just some advance notice.

Dr. **DeLauer**. The only thing I know for sure is that in the Senate version of the authorization committee, that there was an exemption of certain peculiar computer data, automatic data processing equipment to be excluded from the procurement process that is established by the Brooks bill of 1965, which has a centralization of the purchasing of that.

I don't know how it impacts on small business because in some respects I think it might be better for small business.

Mr. **LaFalce**. We will have to look into that and communicate with you.

I just wanted to advise you that is an issue I will be communicating with DOD on.

Now, something else has caused me difficulty and that has been the position of the Department of Defense regarding the so-called Reg Flex law.

It seems to me that the SBA has taken the position—and I believe OFPP has taken the position—that the Reg Flex shall apply to all Federal agencies and that the Department of Defense is attempting to say that it does not apply to the Department of Defense.

Would you please explain what the position of the Department of Defense is on that?

Dr. **DeLauer**. Mr. Trimble, do you want to do it? I think that has to do with legal interpretation.

Mr. **Trimble**. Mr. Chairman, there is a legal interpretation in section 553 of title 5 containing exemptions for contracting military affairs and foreign affairs.

No other statute is in existence that requires the Department of Defense to publish general notice of proposed rulemaking. We do, however, abide by the Administrative Procedure Act which also does exempt us in the preparation of procurement rules from the rulemaking procedures.

It is not our intent, however, Mr. Chairman, to avoid any type of communication with the contractor community, including that of small firms, to improperly promulgate new regulations or rules which would be against their best interests.

We have a very open system. We do not believe that by these exemptions that we are violating general utility of the Administrative Procedures Act.

Mr. **LaFalce**. Well again, we are going to pursue this at some future point when we will have hearings explicitly on the implementation of Reg Flex by all the agencies and we will again call DOD and perhaps its legal counsel to the stand regarding this because it is our position that the Reg Flex does apply to the Department of Defense the same as it does to all other agencies.

For years the Department of Defense has adamantly attempted to avoid those provisions of the law usually referred to as the labor surplus area set-aside.

Department of Defense has always strongly supported the Maybank amendment on the various appropriations bills and last year we had a partial repeal of the Maybank amendment.

Would you please summarize for me what your attempts have been to comply with the new law regarding the labor surplus set-aside as it applies to the Department of Defense?

Mr. **Trimble**. Mr. Chairman, I will respond generally to the questions and then ask for Mr. Ray Chiesa, Defense Logistics Agency, who is the official most directly and principally responsible for conducting the test that was prescribed last year.

I am pleased to tell you, Mr. Chairman, that the Office of the Secretary of Defense, in cooperation with Defense Logistics Agency, started work on the implementation of this test even before passage of the appropriation act.

We immediately examined the legal ramifications and the detailed procedures that are essential to insure that the buying officers are able to prescribe a procedure which is and can be followed by the contracts personnel as well as the contractors.

We aggressively developed a process, had it checked through our legal departments and then made it available early in calendar 1981. I would like now to ask Mr. Chiesa of DOA to provide you with the details of the experiences they have had.

Mr. **Chiesa**. Mr. Chairman, as Mr. Trimble noted, we did begin work on developing these procedures before the appropriation act was approved by the House and Senate.

On December 15, when the President signed the act, the Defense Logistics Agency had developed a draft of procedures and I would like to emphasize that these are policies dictating the way our procurement officials handle our contracts; the priorities in which we set them aside for labor surplus areas, and small business concerns.

We developed procedures. We developed language for use in solicitations and we developed a reporting program to obtain the data we will need to report to the Secretary of Defense who will report to the Congress on or before the end of July.

These were developed in December and January. Our people in our affected supply centers were trained during that period and beginning at the end of February of this year we began releasing solicitations with these provisions.

What you see now is just the beginning of the contracts awarded as a result of that program.

If we release solicitation late in February, the normal bidding time is approximately 30 days, and then the bid evaluation time means that the full month of May was probably the first full month of contract awards, so for that reason it is impossible for us to at this point to say that we have some conclusive statistics that we would like to show to you.

What we can say, however, is the program is in full gear. We are releasing solicitations regularly in our affected supply centers with these provisions.

We have a full month of statistics in May that are attached to Dr. DeLauer's statement, and I will be happy to go over them with you if you desire.

We will have 1 more month of statistics that will be included in the report to the Congress before the end of July.

Generally the statistics show that there were some fairly small dollars in preference to labor surplus area concerns as a result of the 5-percent bid preference provided for them.

Labor surplus area concerns under this procedure are allowed a 5-percent bid preference.

As a result of that 5-percent bid preference, there was a small premium paid to labor surplus area firms for performance.

We also collected statistics that would show a significantly higher premium would have been paid if we did not have the 5-percent limitation.

In other words, if the award had been set aside, 100 percent for labor surplus area concerns.

Mr. QUINN. With respect to the statistics you put in the statement it is impressive with respect to what it would have cost the Government if the lowest LSA bidder had been awarded, but the law talks about a 5-percent cap, does it not, so what relevance to the LSA discussion does that figure have, except to perhaps exhibit the attitude of DOD?

Mr. CHIESA. I understand your questions, Mr. Quinn. The reason we collected that statistic is because, as you know, the balance of the Federal Government does in fact set aside requirements 100 percent for labor surplus area concerns.

We thought while we were collecting this data that it would be an important bit of management information for us to understand not only the premium we paid, with the 5-percent protection, but to understand what the possible exposure would have been had we set that requirement aside 100 percent for participation by labor surplus area.

Mr. QUINN. Even with those 100-percent set-asides, you are well acquainted with the fact there are reasonable constraints over and above any 5-percent limitation that the DOD has. That there are reasonable restraints with respect to the other agencies as well.

So the question comes up, how does that figure you have thrown into your test relate to DOD's LSA program or the test that it is putting together?

Mr. CHIESA. It is a statistic that we in DLA would furnish to the Office of the Secretary of Defense as the best estimate we would have if the Secretary of Defense desired to evaluate the possible impact of a DOD appropriation without the Maybank amendment.

Mr. **Trimble**. Mr. Quinn, I am frequently questioned about the cost of these types of programs to the taxpayer. The Commission on Government Procurement, in its report of December 1972, had a recommendation which I believe is No. 47, that stipulated that some agency of the Government would indeed put a price tag on all of the socioeconomic programs.

It would have been improper for us in our judgment to have proceeded with this test and we understand it to be just that, a test, which would ultimately result in a mandate that we set aside 100 percent for labor surplus areas without using this period of the test to put a price tag on what their cost would be.

I think it is an entirely appropriate process for the Defense Logistic Agency to have followed to have attempted to measure during the period of the test what the total costs would have been.

Mr. **Quinn**. I am not questioning the appropriateness of it, but rather the question goes to the point of whether you understand that there are constraints within the program, wherever it is implemented, that there must be reconnaissance made, but in looking at the statistics, the figure submitted by DOD in this area, that figure is based upon no constraints.

That is just taking the lowest LSA bid and lumping it in. That is known in the parlance as a horror story. That is what I am getting at.

What relevance does it serve if you avoid taking into consideration those other constraints that have been in the program and will continue to be in the program?

Mr. **Tesko**. We would like to add that is also in our discussions we have had with Mr. Chiesa. This responds to specific questions that have been given to us by Senator Stennis himself personally in hearings on our appropriations last year.

We had a call at Defense Supply Center one night at 4 o'clock to have that answer for Senator Stennis by 10 o'clock the following morning on that particular question; what would the premium have been, and the other point on it is there is always a statement made that the LSA firms bid as effectively as non-LSA firms.

That element of information shows whether they bid effectively or not.

This test is beginning to show that they do bid effectively because in many cases there is no premium being paid because they are the lowest offer.

Mr. **Quinn**. Would you supply the subcommittee with copies of this communication?

Mr. **Tesko**. It was a verbal request sent to us by Paul Besozzi. He was staff member for Senator Stennis on the Senate Armed Services Committee. We can call him and have him call you.

Mr. **Quinn**. Did you give the Senator something in writing?

Mr. **Tesko**. Yes.

Mr. **Quinn**. Could we see a copy?

Mr. **Tesko**. We will provide that to you.

[Memorandum referred to above follows:]

The attached memorandum was provided to Paul Besozzi of the Senate Armed Services' staff based on a request from Senator Stennis.

Defense Logistics Agency
Alexandria, Va., July 11, 1980.

Memorandum for Deputy Director for Small Busineess and Economic Utilization Policy, OUSDR. & E.

Subject: Random sample of labor surplus area (LSA) set-aside contracts.

This is to confirm information provided to you telephonically on 3 July 1980 concerning initial offers by LSA concerns on partial set-asides.

A random sample of 29 contracts was taken from the population of 210 contracts awarded as LSA set-asides during fiscal year 1980 to date. The contracts are listed in the enclosure. In five of the 29 cases, or 17.2 percent of the cases, the initial LSA bid was higher than the final award price. Absent the Maybank Amendment these contracts would presumably have involved payment of a premium. The confidence level of this estimate of contracts involving a premium is 90 percent with a precision of ±14 percent. The premium represents 4.5 percent of the value of the five contracts in which a premium would have been paid.

It should be noted that the sample necessarily underestimates the premium that would have been paid absent Maybank, since it considers only successful set-asides. This is because we do not have a means to identify failed set-aside and make random selections from among them. The common reason for failure is that no eligible LSA concern will lower its price to meet the price on the unrestricted portion. Without Maybank, many of these contracts would have been awarded to the LSA firm at the premium price. We pulled two recent cases as examples (random selection was not possible). On contract DLA500-80-C2508, the lowest LSA bid was $87,916, versus an award price of $73,408. If the higher price had been paid, it would have represented a premium of 16.5 percent. In the other failure, DLA700-79-C0157, the LSA bid was $114,000 versus an award price of $56,000, for a premium of 50.8 percent. While we would expect the more extreme premium prices would obviously fail to meet the test of fair and reasonable price, the overall effect of eliminating Maybank would be higher prices. Certainly the prices would be higher than indicated by our sample, which represents the "best case."

For the Director:

Ray W. Dellas,
Staff Director, Small and Disadvantaged Business Utilization.

Enclosure.

DEFENSE LOGISTICS AGENCY RANDOM SAMPLE OF LSA CONTRACTS AWARDED BY PREFERENCE FISCAL YEAR 1980

DLA contract No.	Final LSA award price	Initial bid by LSA firm
100-79-C3120	$203,975.00	$203,975.00
100-80-C2916	522,537.00	522,537.00
100-80-C2456	63,462.00	63,462.00
120-80-C4185	27,230.00	27,230.00
120-80-C4521	95,937.00	108,037.00
120-80-C0614	94,617.00	94,617.00
13H-80-C0513	377,574.00	377,574.00
13H-80-CZ088	580,890.00	580,890.00
13H-80-C0622	43,658.00	43,658.00
13H-80-C0709	199,924.00	199,924.00
13H-80-C0701	52,335.00	53,760.00
13H-80-C0818	44,179.00	44,179.00
400-79-C0269	40,957.00	40,957.00
400-80-C0394	46,108.00	46,108.00
400-80-C0709	31,027.00	31,027.00
400-80-C0909	106,202.00	106,202.00
500-79-D0117	72,574.30	72,574.30
500-79-D0056	150,734.00	155,610.00
500-79-D0128	877,400.54	877,400.54
500-80-C1054	16,938.00	16,938.00
500-80-C0740	13,992.35	13,992.35
500-80C1662	13,737.00	13,737.00
500-80D0027	26,816.00	26,816.00

DEFENSE LOGISTICS AGENCY RANDOM SAMPLE OF LSA CONTRACTS AWARDED BY PREFERENCE FISCAL YEAR 1980—Continued

DLA contract No.	Final LSA award price	Initial bid by LSA firm
500-80C3378	8,201.00	8,323.00
500-79C3909	36,800.00	36,800.00
600-80-D1670	2,544,600.00	2,544,600.00
600-80-D1659	4,033,400.00	4,033,400.00
700-80-D0006	439,773.15	455,411.93
700-80-D1134	65,150.00	65,150.00
Total	10,830,728.34	10,864,890.12
Total differential	34,161.78	

Total population of 210 contracts represented all LSA partial set-aside contracts awarded and reported on DD 350, fiscal year 1980 to date. Sample of contracts was selected by listing the total population and numbering each contract sequentially 1-210; a list of 30 random numbers was generated by computer and the contracts assigned those numbers were selected Of the 30 contracts, one was found not to be the result of an LSA partial set-aside, leaving a sample size of 29.

Contract number prefix codes (first three digits) are as follows:

100—Defense Personnel Support Center (DPSC) Clothing and Textiles.
120—DPSC Medical.
13H—DPSC Subsistence.
400—Defense General Supply Center.
500—Defense Industrial Supply Center.
600—Defense Fuel Supply Center.
700—Defense Construction Supply Center.

Mr. LAFALCE. Did you care to make another comment?

Mr. TRIMBLE. As a procurement officer, I would like to observe about the constraints that the counsel refers to. If I have set aside 100 percent for labor plus area participation and I am working against the time constraints which we always are on a process which is already very long, and I get bids only from labor surplus areas which exceed my estimate, I have little basis, Mr. Quinn, to make a judgment at that point in time whether that truly is an unusually high cost because of the labor surplus area preference.

The constraint to which I think you are referring is the judgment—and I emphasize the word judgment—on the part of the contracting officer that as a result of the labor surplus area set-aside he has not gotten good competition and good prices, hence he will then declare the set-aside as being void and resolicit on an unrestricted basis.

I will tell you that the practical fact of the operation is such that there is very limited opportunity for that contracting officer to engage in that type of a process.

Mr. LAFALCE. I am going to bring today's hearings to a close. I have innumerable other questions, many other questions, but I will review them and submit those I think are most salient to you to make a part of the record and permit you for a period of time to respond to those questions.

Let me just in conclusion make the following comments:

I would hope that our goals are basically the same. We first of all want the best defense that a reasonable amount of money can buy. We also believe that it is possible to have that and still accomplish certain other purposes and perhaps even have a better defense because of the accomplishment of those other purposes.

Some of those are expanding the industrial base so that we have a much larger portion of the procurement being provided by small businesses by attempting to insure that where you have high unemployment that is where you are probably going to be able to get lower bids. That is the way economics usually work.

So we probably can get lower bids in the labor surplus area rather than higher, but in any event we are going to hopefully help alleviate the serious problem of unemployment, et cetera, et cetera.

In other words, we have some very laudable goals. I don't want these goals to be overly burdensome at all. To be sure, I do impose a specific burden on the contracting officers that would not be there if those provisions of the law did not exist.

By the same token, though, I am convinced that the inertia that would, in my judgment, inevitably exist to do the easiest thing would mean that there be no real special efforts to extend oneself to the small business community, to extend oneself to labor surplus areas, absent those congressional mandates.

I may or may not be correct in that, but in any event, enough of my congressional colleagues concurred with that judgment to make it the law of the land. It is the law of the land that is, generally speaking, equally applicable to all Federal agencies, although there are some instances where we have differences such as the labor surplus area.

I don't know that it should but it has been that special differences continue to exist primarily because of the institutional resistance of DOD to the labor surplus program.

It also seems that there is an attempt on DOD to have institutional differences with respect to 507. All other agencies have contracts that are less than $10,000. We don't have any difficulties with them.

It seems there is an institutional difficulty with respect to Reg Flex. But I would bet my bottom dollar most of those other agencies could come up with legal interpretations that might be able to exempt them also.

So what I am insisting upon is absolute adherence to the letter of the law, but what I am asking for is total adherence to the spirit of the law. I can't bring about total adherence to the spirit of the law, and yet I also know that the adherence to the letter of the law will nowhere near bring the results that adherence to the spirit of the law would bring.

Dr. DeLauer, as the new head of acquisition and procurement for the Department of Defense, you have a golden opportunity to chart a new course, to set sail into new waters, and to bring in and fuse a new spirit where a new spirit is needed.

To the extent that you deem that it is needed, I hope you will infuse this new spirit. This subcommittee will be watching closely the activities. We will have a reasonable number of hearings, not so many that it will just be absurd on you in performance of your duties, but enough so that we will have effective oversight and discharge our responsibilities.

Your good faith compliance with the spirit of the law will I think enable us to have the type of conciliatory hearing that we have had this morning rather than the type of hearing that we have had in the past where the obvious conciliatory nature on my part today was not so evidenced in the past.

With that I bring today's hearing to a close. Thank you very much.

[Whereupon, at 11:55 a.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX

APPENDIX 1.—SBA RESPONSES TO ADDITIONAL QUESTIONS WHICH HAVE ARISEN SUBSEQUENT TO TESTIMONY OF JUNE 23, 1981

JOHN J. LaFALCE, N.Y.
CHAIRMAN

ROMANO L. MAZZOLI, KY.
JOSEPH P. ADDABBO, N.Y.
FREDERICK W. RICHMOND, N.Y.
THOMAS A. LUKEN, OHIO
BUDDY ROEMER, LA.

United States House of Representatives
Committee on Small Business
Subcommittee on General Oversight
2361 Rayburn House Office Building
Washington, D.C. 20515

J. WILLIAM STANTON, OHIO
CHRISTOPHER H. SMITH, N.J.
DOUGLAS K. BEREUTER, NEBR.
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STAFF DIRECTOR
JOHN C. [illegible]
SUBCOMMITTEE COUNSEL
202-225-[illegible]

J. WILLIAM [illegible]
MINORITY SUBCOMMITTEE
PROFESSIONAL
STAFF MEMBER
202-225-[illegible]

July 24, 1981

Honorable Michael Cardenas
Administrator
Small Business Administration
1441 L Street, N.W.
Washington, D.C. 20416

Dear Mr. Cardenas:

On behalf of the Members of the Oversight Subcommittee, I wish to express our appreciation to you for your testimony on June 23. Your response to the following questions and requests would assist the members of the Subcommittee to better understand SBA's performance and intentions regarding P.L. 95-507, the high dollar spare parts break-out program and the various set aside programs.

1. What attempts have been made to obtain access to DoD spare part break-out coding negotiation sessions by SBA representatives? What future plans do you have to insure access to these meetings? Please detail any resistance by DoD to SBA access to these coding sessions.

2. Please submit a report to the Subcommittee on or before October 1, 1981 setting forth any savings documented by SBA under the spare parts break-out program from October 1, 1979 to date.

3. Please submit copies of all reports developed within SBA, since October 1, 1980, relating to interim and final noncompliance by prime contractors under P.L. 95-507. Please include copies of any reports submitted by SBA during this period to any other agency relating to interim or final noncompliance with P.L. 95-507 by a prime contractor doing business with that agency as well as any agency response to those reports.

4. Please submit copies of all comments submitted by SBA to OFPP relating to the development of the draft Uniform Procurement System (UPS). Please comment on the potential impact of the UPS on small business if enacted as presently drafted. Indicate what improvements should be made to the UPS draft in order to protect the interests of small business.

5. Please state what has been done by SBA to complete 1982 agency goals under P.L. 95-507.

I would appreciate a response to these requests by September 30, 1981.

Sincerely,

JOHN J. LaFALCE
CHAIRMAN

JJL:Q:h

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

SEP 4 1981

Honorable John J. LaFalce
Chairman
Subcommittee on General Oversight
Committee on Small Business
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This is in further response to your letter of July 24, 1981, and our reply of August 17, 1981, relative to additional questions which have arisen since the time of my testimony before your Oversight Subcommittee on June 23, 1981. The responses to your questions are as follows:

1. The Small Business Administration representatives have intermittently attended Department of Defense spare part breakout coding negotiation sessions, as observers, for several years. However, their attendance has not been as a result of definitive regulations, but rather at the invitation of the local Department of Defense installation officials. On March 11, 1981, an Air Force Logistics Command Regulation 57-6 was promulgated (copy enclosed) which eliminated attendance by the SBA representative at the negotiation sessions. In view of the testimony of Department of Defense officials on June 23, 1981, we have requested that procurement center representatives be included as full-fledged members at contractor coding verification meetings at the installations of all services handling spare parts acquisition under the High Dollar Spare Parts Breakout Program (copy enclosed). To date, no reply has yet been received to our letter of August 18, 1981. We shall be pursuing this matter very carefully. I have, likewise, enclosed a copy of a memorandum from Headquarters, Air Force Logistics Command, to its subordinate units which indicates the effectiveness of the SBA procurement center representatives when they are involved in the High Dollar Spare Parts Breakout procedure.

2. & 3. Our response to questions 2 and 3 relative to savings documented by SBA under the Spare Parts Breakout Program and reports developed within SBA relating to interim and final noncompliance by prime contractors

SEP 4 1981

under Public Law 95-507, is of such volume that it is being transmitted to you separately.

4. Enclosed are copies of comments submitted by SBA to the Office of Federal Procurement Policy relating to the development of the draft Uniform Procurement System. We took exception to 10 of a total of 16 task force groups draft reports. I must stress that our comments are based upon the initial drafts proposed by the individual task groups. We are certain that these initial drafts will not be representative of the proposed final draft of the Uniform Procurement System. Nevertheless, our concern is that these task force reports would have a severe impact on small business. In many instances these reports proffer the elimination of small business preference in the acquisition process. We obviously will be opposing such,and any future draft proposal which would espouse a similar recommendation.

5. Under date of July 21, 1981, instructions were sent to all departments and agencies advising what was expected by SBA in proposed goal submissions to SBA for FY 1982. The proposed agency goals are to be submitted to SBA by August 31, 1981, and we will initiate negotiations with the agencies soon thereafter. We anticipate having the goal-setting process completed with goals in place by October 15, 1981.

I appreciate your continuing interest in our Procurement Assistance programs and will be pleased to provide any additional information that you may require.

Sincerely,

Michael Cardenas
Administrator

Enclosures

CHAPTER 15

COMPETITION WITH CONFIDENCE PROGRAM (CWC)

SECTION A - CONTRACTOR RECOMMENDED CODING

15-1. POLICY. It is Air Force policy to use the CWC (i.e. screening with industry participation) to the maximum practical limit.

15-2. CANDIDATES FOR CWC. For items already in the inventory, MMEDD will identify the items which are candidates for (CWC) and through coordination with the applicable requirements and LR/MMR and MMIM determine the items to be submitted for coding.

15-3. VERIFICATION OF Candidate ITEMS. Verification of a current buy requirement must be obtained by MMEDD from the responsible IM when candidate items for contractor coding are older than six months from the time of the initial requirement for coding.

15-4. VERIFICATION CONFERENCE ATTENDEES. Attendees of verification meetings must be familiar with the items to be screened and be aware of pertinent information which may affect the method of acquisition to be accepted. Within the scope of the responsibilities of their respective organizations, verification meeting attendees must have the authority to accept or reject recommended codes by signature on appropriate documents.

15-5. VERIFICATION CONFERENCES. Conferences will be held at OO-ALC or contractor facilities as deemed necessary. When conferences are held at contractor's facilities, attendance will be held to a minimum.

15-6. REVIEW OPTIONS. Option of review (complete review and sampling basis) will be determined by MMEDD as directed in MIL-STD-789 and AFR 57-6 and AFLC Supplement thereto.

15-7. DATA AVAILABILITY. Sufficient data, necessary to support the contractor's recommendations, will be available during the conference. For those items with a contractor recommended code of 7, or 8, the data may consist of top assembly drawing, altered item/selected item/source control drawings, special test, quality assurance qualification requirements, tool requirements, reliability factors, an contractor substantiating data. For code 6 items, if necessary supporting data are not available, annotate the meeting minutes, "Final approval of code 6 item(s) is withheld pending receipt, review, and acceptance of the required data."

SECTION B - RESPONSIBILITIES

15-8. ENGINEERING DATA MANAGEMENT SECTION (MMEDD) WILL:

a. Obtain CWCs in compliance with MIL-STD-789 and AFR 57-6 and AFLC Supplement thereto.

b. When CWCs are received, schedule a verification meeting, request attendance from applicable organizations, and invite representation from the ALC Small Business Office (BC) as observers.

c. Prepare and forward a list of items and the recommended codes to verification meeting attendees approximately one week in advance of the scheduled conference. If the verification meeting is to be held at the contractor's plant, at least two weeks notice will be

AUG 1 8 1981

Mr. Robert F. Trimble
Director, Contracts and Systems
  Acquisition
(research and Engineering)
Office of the Under Secretary of Defense
Department of Defense
Washington, D. C. 20301

Dear Mr. Trimble:

During the hearing conducted on June 25, 1981, by Congressman John LaFalce, Chairman of the Subcommittee on General Oversight, Committee on Small Business, House of Representatives, testimony was given by Mr. Kemp of the Air Force to the effect that the Small Business Administration Procurement Center Representatives (PCRs) are "certainly on a list of people that are invited to the coding conference." Likewise, in response to a question from Chairman LaFalce relative to the Chairman's office "advising SBA that there is no institutional disposition against the SBA participation in the coding session in the future . . . is that correct?", you responded that you would look into the matter and "unless there is some overriding reason which I do not know about I will see they have that opportunity."

We are extremely desirous of having our PCRs participate as full-fledged members of the contractor coding verification meetings in the hope that we may be able to assist the Department of Defense representatives in their responsibilities, both in the interest of small business and in the coding process. We are concerned that Section B15-8 of OO-ALCR 57-6 dated March 11, 1981, limits attendance at these coding sessions within the AFLC structure to the personnel of the ALC small business offices as observers and eliminates any representation by the SBA PCR. While previous discussions on this subject have pretty much been restricted to AFR 57-6, we would anticipate our PCR participation would take place at the installations of all services handling spares acquisition under the High Dollar Spare Parts Breakout Program.

I look forward to hearing in the rear future that DOD has advised the procuring agencies that the SBA PCRs will be invited to attend the contractor coding verification meetings on a regular basis and as a full-fledged member of the government's team.

Best regards.

Sincerely,

R. F. McDermott

R. F. McDermott
Associate Administrator for
Procurement and Technology Assistance

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE LOGISTICS COMMAND
WRIGHT-PATTERSON AIR FORCE BASE OHIO 45433

20 JAN 1981

REPLY TO ATTN OF: PM/LO

SUBJECT: Screening Requirements Under the High Dollar Breakout Program AFR 57-6

TO:
OC-ALC SM-ALC
OO-ALC WR-ALC
SA-ALC

(Commander)

1. Effective screening of requirements under the High Dollar Breakout Program AFR 57-6 is essential if the Command is to increase competition in our contracting. Last fiscal year the Command failed to achieve the assigned competition goals by a considerable amount. In FY 1980 we awarded only 25.6% of our contract dollars through competition against an assigned goal of 32%. We anticipate that there will be continuing emphasis to increase competition and early effective planning is necessary if we are to improve our competitive posture in FY 1981.

2. We are aware of several instances where the Small Business Administration (SBA) representatives at the ALCs have successfully challenged assigned Procurement Method Codes. They have been able to prove that assigned insufficient data and proprietary data codes were erroneous, and as a result, have identified millions of dollars for competitive contracting. These successes by the SBA representatives tend to highlight weaknesses in the Breakout Program implementation and provide impetus for further criticism of the program. In addition, SBA challenges to Procurement Method Codes during the acquisition cycle result in increased administrative lead time. In some cases, processing time has been delayed 75-100 days.

3. We need to emphasize effective AFR 57-6 screening before PR packages reach the Directorate of Contracting and Manufacturing. The Competition Committees that have been established at your activities should monitor this area closely. In addition

every effort should be made to screen items below the $7500 annual buy value threshold whenever it is practical and feasible to do so. Your continued support of the Breakout Program should result in increased competition.

FOR THE COMMANDER

James C Dever Jr.

JAMES C. DEVER, JR.
Brigadier General, USAF
DCS/Contracting & Manufacturing

Jack W.

JACK W. WATERS
Major General, USAF
DCS/Logistics Operations

(SBA Response #2 & 3)

We have since the inception in late 1979 of our pilot Breakout PCR Program, which currently is in effect at three Air Force Air Logistics Centers (ALCs), accumulated data on example cases of PCR achievements at those three installations as well as at one other ALC where concerted breakout efforts also have been underway during the same timeframe by the assigned regular PCR. Documented examples on record in our Central Office from those four ALCs total 181 cases representing a savings to the government of $6.7 million over a period of approximately one and one-half years. A summary of those 181 cases is enclosed. We wish to emphasize that these are only example cases, and are by no means the total breakout achievements or savings attributable to SBA PCR efforts -- not even at the four ALCs, much less at all DoD (spare parts) procuring installations where we have PCRs assigned.

These example cases serve primarily to illustrate typical price decreases and contract cost savings for individual items, which range upwards to 99.5 percent, through breakout and the introduction or expansion of small business competition in spare parts acquisitions. In this regard we believe it is important to point up that, at last report (December 31, 1980) only 7.9 percent or approximately 300 thousand of some 3.9 million individual spare parts items recorded in the DoD catalog system were coded for openly competitive acquisition of requirements. This would leave more than 3.6 million different items for future potential breakout to that procurement method, i.e., openly competitive. These numbers are cited here to highlight the significance of $6.7 million in documented savings for just the initial acquisition quantities, primarily, of the fewer than two hundred items identified in the enclosed summary report.

		Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./		Savings -or- Cost Reduction
Procuring Activity	Item	Quantity	Unit-Price	Total	Unit-Price	Total Amount	Total Dollar Savings	Percent
WRALC	Shaft Shoulder	138	$ 33.25	$ 4,588.50	$ 56.67	$ 7,820.46	$ 3,231.96	41.2 %
	Seal Assy	467	199.75	93,283.25	355.49	166,013.83	72,730.58	43.8
	Nose Cowling Frame	112	548.93	61,480.16	1,705.00	190,960.00	129,479.84	67.8
	" " " 2./	2	1,254.89	2,509.78	4,600.00	9,200.00	6,690.22	72.7
	Remote Relay	226	384.64	86,928.64	577.00	130,402.00	43,473.36	33.3
	Transmitter	30	1,750.00	52,500.00	1,853.00	55,590.00	3,090.00	5.6
	Simulator Plug	432	197.00	85,104.00	207.20	89,510.40	4,406.40	4.9
	Pre-Amp	139	174.00	24,186.00	699.47	97,226.33	73,040.33	75.1
	Bell Crank Assy	88	105.11	9,249.68	482.05	42,420.40	33,170.72	78.2
	" " " 2./	2	375.00	750.00	482.05	964.10	214.10	22.2
	Fairing Assy	54	783.40	42,303.60	1,534.38	82,856.52	40,552.92	48.9
	Filter, Amplifier	17	330.00	5,610.00	961.00	16,337.00	10,727.00	65.7
	Filter, Fluid Pressure	746	18.01	13,435.46	50.00	37,300.00	23,864.54	64.0
	" " " 2./	2	20.65	41.30	50.00	100.00	58.70	58.7
	Filler Assy	92	208.05	19,140.60	304.65	28,027.80	8,887.20	31.7
	Bomb & Rack Dispenser	40	8,222.00	328,880.00	10,332.83	413,313.20	84,433.20	20.4
	Bomb & Rack Dispenser	53	8,222.00	435,766.00	10,332.83	547,639.99	111,873.99	20.4
	Bomb & Rack Dispenser	242	7,357.00	1,780,394.00	10,332.83	2,500,544.86	720,150.86	28.8
SAALC	Seal	22	480.00	10,560.00	578.90	12,735.80	2,175.80	17.1
	Seal Door	23	141.60	3,256.80	170.76	3,927.48	670.68	17.1
	Leading Edge	70	650.00	45,500.00	723.60	50,652.00	5,152.00	10.2
	Firewall	399	28.80	11,491.20	34.73	13,857.27	2,366.07	17.1
	Firewall	372	28.80	10,713.60	34.73	12,919.56	2,205.96	17.1
	Blanket	90	73.00	6,570.00	85.97	7,737.30	1,167.30	15.1
	Firewall	289	346.07	100,014.23	359.29	103,834.81	3,820.58	3.7
	Firewall	233	187.00	43,571.00	265.30	61,814.90	18,243.90	29.5
	Firewall	219	58.00	12,702.00	73.57	16,111.83	3,409.83	21.2
	Panel Assy	201	125.00	25,125.00	150.81	30,312.81	5,187.81	17.1
	Door Assy	10	1,405.00	14,050.00	1,675.98	16,759.80	2,709.80	16.2
	Hard Shell	4,913	4.54	22,305.02	5.34	26,235.42	3,930.40	15.1
	Armrest	48	320.40	15,379.20	386.44	18,549.12	3,169.92	17.1

		Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./		Savings -or- Cost
Procuring Activity	Item	Quantity	Unit-Price	Total	Unit-Price	Total Amount	Total Dollar Savings	Reduction Percent
SAALC	Curtain Assy	74	$ 51.15	$ 3,785.10	$ 60.23	$ 4,457.02	$ 671.92	15.1 %
	Lever Vane	14	397.03	5,558.42	408.94	5,725.16	166.74	2.9
	Guide, Piston	914	46.13	42,162.82	55.63	50,845.82	8,683.00	17.1
	Valve, Fuel	473	36.36	17,198.28	46.50	21,994.50	4,796.22	21.8
	Power Unit	29	455.95	13,222.55	561.30	16,277.70	3,055.15	18.8
	Jaw Set	17	254.40	2,798.40	720.11	7,921.21	5,122.81	64.7
	Fairing	132	24.95	3,293.40	30.08	3,970.56	677.16	17.1
	Yoke	113	128.60	14,531.80	227.90	25,752.70	11,220.90	43.6
	Seal	98	123.75	12,127.50	149.28	14,629.44	2,501.94	17.1
	Handgrip	48	139.87	6,713.76	196.34	9,424.32	2,710.56	28.8
	Valve Control	38	243.26	9,243.88	325.60	12,372.80	3,128.92	25.3
	Cable, Ripcord	450	5.85	2,632.50	6.51	2,929.50	297.00	10.1
	Cover	63	2.00	126.00	20.77	1,308.51	1,182.51	90.4
	Tooth Adapter	127	14.14	1,795.78	19.75	2,508.25	712.47	28.4
	Monitor	2	1,750.00	3,500.00	3,100.00	6,200.00	2,700.00	43.6
	Tooth	165	9.15	1,509.75	11.54	1,904.10	394.35	20.7
	Button	72	10.00	720.00	34.45	2,480.40	1,760.40	71.0
	Lower Jaw	12	81.77	981.24	93.20	1,118.40	137.16	12.3
	Plate	3	60.00	180.00	142.19	426.57	246.57	57.8
	Frame	6	99.77	598.62	231.30	1,387.80	789.18	56.9
	Block	6	108.00	648.00	217.53	1,305.18	657.18	50.4
	Drift	6	47.13	282.78	50.48	302.88	20.10	6.6
	Hub	13	130.41	1,695.33	361.40	4,698.20	3,002.87	63.9
	Wrench	119	51.33	6,108.27	88.87	10,575.53	4,467.26	42.2
	Jaw Set	52	125.00	6,500.00	265.84	13,823.68	7,323.68	53.0
	Transformer	27	175.00	4,725.00	428.70	11,574.90	6,849.90	59.2
	Connector	167	0.678	108.48	20.00	3,200.00	3,091.52	96.6
	Mount	889	555.45	493,795.05	1,139.00	1,012,571.00	518,775.95	51.2
	Cable Assy	556	20.92	11,631.52	29.82	16,579.92	4,948.40	29.9
	Cable Assy	32	3,225.00	103,200.00	4,902.96	156,894.72	53,694.72	34.2
	Spacer	295	6.60	1,947.00	80.00	23,600.00	21,653.00	91.4

Procuring Activity	Item	Current Contract Award, Following Breakout and Compe'itive Solicitation Quantity	Unit-Price	Total	Prior Award or Current Bid Price of Sole Source 1./ Unit-Price	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./ Total Amount	Total Dollar Savings	Savings -or- Cost Reduction Percent
OOALC	Gasket	3,900	$ 0.357	$ 1,392.30	$ 4.63	$ 18,057.00	$ 16,664.70	92.3 %
	Link Assy	1,069	119.90	128,173.10	174.70	186,754.30	58,581.20	31.4
	Insert	332	11.75	3,901.00	129.26	42,914.32	39,013.32	90.9
	Washer	297	9.00	2,673.00	55.48	16,477.56	13,804.56	83.8
	Stiffener	416	5.84	2,429.44	7.39	3,074.24	644.80	21.0
	Bushing	139	95.00	13,205.00	180.00	25,020.00	11,815.00	47.2
	Pin	185	20.35	3,764.75	40.91	7,568.00	3,803.25	50.2
	ID Plate	1,651	.09	148.59	19.00	31,369.00	31,220.41	99.5
	Spacer	5,450	.43	2,343.50	.63	3,433.50	1,090.00	31.8
	Link Assy	92	127.98	11,774.16	170.03	15,642.76	3,868.60	24.7
	Bushing	215	44.28	9,520.20	173.76	37,358.40	27,838.20	74.5
	Bellcrank	326	289.00	94,214.00	365.48	119,146.48	24,932.48	20.9
	Jury Strut	56	182.50	10,220.00	252.73	14,152.88	3,932.88	27.8
	Fairing	252	15.76	3,971.52	59.32	14,948.64	10,977.12	73.4
	Bracket	122	11.22	1,368.84	24.45	2,982.90	1,614.06	54.1
	Side Mount	182	141.00	25,662.00	313.40	57,038.80	31,376.80	55.0
	Zee	43	29.00	1,247.00	72.82	3,131.26	1,884.26	60.2
	Flag	150	29.85	4,477.50	101.20	15,180.00	10,702.50	70.5
	Cable Assy	43	780.00	33,540.00	835.79	35,938.97	2,398.97	6.7
	Fitting Assy	400	116.63	46,652.00	124.73	49,892.00	3,240.00	6.5
	Spacer	483	8.45	4,081.35	18.66	9,012.78	4,931.43	54.7
	Support	72	22.33	1,607.76	185.73	13,372.56	11,764.80	88.0
	Insulator	526	11.60	6,101.60	26.23	13,796.98	7,695.38	55.8
	Bushing	79	169.00	13,351.00	224.77	17,756.83	4,405.83	24.8
	Tube Assy	124	57.00	7,068.00	116.64	14,463.36	7,395.36	51.1
	Angle	149	43.35	6,459.15	126.44	18,839.56	12,380.41	65.7
	Support	444	17.42	7,734.48	23.65	10,500.60	2,766.12	26.3
	Washer, Flat	1,968	.68	1,338.24	3.59	7,065.12	5,726.88	81.1
	Pin	93	59.00	5,487.00	290.63	27,028.59	21,541.59	79.7
	Piston	525	11.95	6,273.75	19.47	10,221.75	3,948.00	38.6
	Tip Assy	52	483.50	25,142.00	671.36	34,910.72	9,768.72	28.0

Procuring Activity	Item	Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./	Total Dollar Savings	Savings -or- Cost Reduction Percent
		Quantity	Unit-Price	Total	Unit-Price	Total Amount		
OOALC	Pin Trunnion	107	$ 79.94	$ 8,553.58	$ 87.50	$ 9,362.50	$ 808.92	8.6 %
	Sleeve	26	64.00	1,664.00	129.51	3,367.26	1,703.26	50.6
	Cable Assy	674	20.60	13,884.40	39.00	26,286.00	12,401.60	47.2
	Angle, Web	37	234.80	8,687.60	308.40	11,410.80	2,723.20	23.9
	Spacer	774	1.97	1,524.78	17.63	13,645.62	12,120.84	88.8
	Rod End Assy	252	32.30	8,139.60	77.10	19,429.20	11,289.60	58.1
	Housing Assy	470	20.00	9,400.00	106.03	49,834.10	40,434.10	81.1
	Access Cover	105	80.64	8,467.20	112.79	11,842.95	3,375.75	28.5
	Bracket Assy	22	96.21	2,116.62	479.75	10,554.50	8,437.88	80.0
	Bearing Tube	2,023	2.02	4,086.46	7.35	14,869.05	10,782.59	72.5
	Bell Crank	45	146.25	6,581.25	295.75	13,308.75	6,727.50	50.6
	Fitting Assy	21	144.00	3,024.00	180.69	3,794.49	770.49	20.3
	Fitting	13	190.15	2,471.95	720.95	9,372.35	6,900.40	73.6
	Pin Retainer	996	3.53	3,515.88	18.53	18,455.88	14,940.00	81.0
	Bushing	184	2.50	460.00	60.65	11,159.60	10,699.60	95.9
	Thermal Battery	762	198.00	150,876.00	402.60	306,781.20	155,905.20	50.8
	Bushing	167	16.90	2,822.30	75.00	12,525.00	9,702.70	77.5
	Rack	136	875.00	119,000.00	1,809.00	246,024.00	127,024.00	51.6
	Skin Assy	135	23.20	3,132.00	77.28	10,432.80	7,300.80	70.0
	Access Door	112	162.50	18,200.00	195.00	21,840.00	3,640.00	16.7
	Bumper, Plastic	580	.5662	328.40	5.32	3,085.60	2,757.20	89.4
	Insulation Blanket	109	9.05	986.45	37.35	4,071.15	3,084.70	75.8
	Rod End Assy	104	34.61	3,599.44	47.15	4,903.60	1,304.16	26.6
	Retainer	266	25.56	6,798.96	212.43	56,506.38	49,707.42	88.0
	Pin	100	8.03	803.00	45.28	4,528.00	3,725.00	82.3
	Shaft	68	67.90	4,617.20	85.74	5,830.32	1,213.12	20.8
	Fairlead	682	.45	306.90	5.26	3,587.32	3,280.42	91.4
	Washer	310	1.7662	547.52	21.20	6,572.00	6,024.48	91.7
	Fitting	63	45.00	2,835.00	237.47	14,960.61	12,125.61	81.1
	Canopy Support	21	115.40	2,423.40	146.79	3,082.59	659.19	21.4
	Plug	56	19.65	1,100.40	78.02	4,369.12	3,268.72	74.8

		Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./		
Procuring Activity	Item	Quantity	Unit-Price	Total	Unit-Price	Total Amount	Total Dollar Savings	Savings -or- Cost Reduction Percent
OOALC	Skin, LH	160	$ 26.77	$ 4,283.20	$ 29.07	$ 4,651.20	$ 368.00	7.9 %
	Cover	66	89.75	5,923.50	137.81	9,095.46	3,171.96	34.9
	Cover Assy	25	64.84	1,621.00	223.45	5,586.25	3,965.25	71.0
	Nut, Lock	3,135	1.20	3,762.00	5.99	18,778.65	15,016.65	80.0
	Panel Assy	56	609.00	34,104.00	1,554.00	87,024.00	52,920.00	60.8
	Skin	230	80.50	18,515.00	199.93	45,983.90	27,468.90	59.7
	Door	105	90.75	9,528.75	219.22	23,018.10	13,489.35	58.6
	Weld Assy	128	487.00	62,336.00	637.13	81,552.64	19,216.64	23.6
	Wing Rib	12	4,004.00	48,048.00	4,672.29	56,067.48	8,019.48	14.3
	Skin	35	275.00	9,625.00	359.32	12,576.20	2,951.20	23.5
	Skin	193	72.50	13,992.50	84.80	16,366.40	2,373.90	14.5
	Skin	171	72.50	12,397.50	84.80	14,500.80	2,103.30	14.5
	Aircraft Mod Kit	373	11,496.51	4,288,198.23	18,547.41	6,918,183.93	2,629,985.70	38.0
	Panel Assy	24	1,555.00	37,320.00	1,735.00	41,640.00	4,320.00	10.4
	Rib, Aircraft	52	190.00	9,880.00	223.00	11,596.00	1,716.00	14.8
OCALC	Tab Assy	42	4,000.00	168.000.00	8,882.88	373,080.96	205,080.96	55.0
	Wing Tab Assy, LH	19	4,000.00	76,000.00	11,007.53	209,143,07	133,143.07	63.7
	Wing Tab Assy	16	4,000.00	64,000.00	11,007.53	176,120.48	112,120.48	63.7
	Eccentric Ring	117	13.80	1,614.60	130.00	15,210.00	13,595.40	89.4
	Filter 3./	3./	3 /	9,750.00	3 /	13,500.00	3,750.00	27.8
	Filter			10,400.00		12,040.00	1,640.00	13.6
	Seal			42,438.00		71,633.00	29,195.00	40.7
	Bolt			27,261.00		35,628.00	8,367.00	23.5
	Seat			2,272.00		3,466.00	1,194.00	34.5
	Filter			45,820.00		73,541.00	27,721.00	37.7
	Clamp			21,483.00		31,822.00	10,339.00	32.5
	Seal			11,084.00		21,038.00	9,954.00	47.3
	Conduit			4,204.00		8,823.00	4,619.00	52.4
	Rod Assy			3,854.00		6,458.00	2,604.00	40.3
	Duct			3,750.00		18,025.00	14,275.00	79.2
	Panel			12,000.00		24,129.00	12,129.00	50.3

		Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./		
Procuring Activity	Item	Quantity	Unit-Price	Total	Unit-Price	Total Amount	Total Dollar Savings	Savings -or- Cost Reduction Percent
OCALC	Air Seal 3./	3./	3./	$ 93,330.00	3./	$ 129,320.00	$ 35,990.00	27.8 %
	Clamp			11,216.00		16,362.00	5,146.00	31.5
	Panel			4,500.00		6,011.00	1,511.00	25.1
	Cover			32,900.00		43,345.00	10,445.00	24.1
	Panel			12,980.00		13,551.00	571.00	42.1
	Bearing			67,756.00		92,573.00	24,817.00	26.8
	Panel			6,435.00		29,697.00	23,262.00	78.3
	Bearing			140,392.00		171,147.00	30,755.00	18.0
	Spacer			26,568.00		30,080.00	3,512.00	11.7
	Connector			14,414.00		22,438.00	8,024.00	35.8
	Panel			4,680.00		7,738.00	3,058.00	39.6
	Panel			2,500.00		7,155.00	4,655.00	65.1
	Spacer			7,031.00		15,652.00	8,621.00	55.1
	Panel			9,900.00		12,966.00	3,066.00	23.7
	Spacer			8,136.00		28,991.00	20,855.00	71.9
	Panel			4,200.00		9,928.00	5,728.00	57.7
	Panel			12,600.00		16,429.00	3,829.00	23.3
	Clamp			10,336.00		14,030.00	3,694.00	26.3
	Panel			9,900.00		11,345.00	1,445.00	12.7
	Panel			5,850.00		15,653.00	9,803.00	62.6
	Panel			10,450.00		11,664.00	1,214.00	10.4
	Strap			4,512.00		5,986.00	1,474.00	24.6
	Clamp			7,953.00		10,615.00	2,662.00	25.1
	Door			2,800.00		4,497.00	1,697.00	37.7
	Housing			2,077.00		3,900.00	1,823.00	46.7
	Bolt			5,514.00		6,489.00	975.00	15.0
	Spacer			7,324.00		36,621.00	29,297.00	80.0
	Bracket			532.00		1,474.00	942.00	63.9
	Ring			5,644.00		7,332.00	1,688.00	23.0
		TOTALS:		$10,622,882.05		$17,276,546.88	$6,653,663.83	38.5%

1./ Unit-price and Extrapolated Total Amount figures are, in the vast majority of cases, either bid prices for the current acquisition following SBA PCR breakout achievement or the last prior contract award prices of the noncompetitive or restricted source producers. In some instances, e.g., where the last prior award pricing data were not reasonably available and/or the former noncompetitive producers failed to bid for the current competitive acquisitions following breakout, the unit-price and extrapolated total amount figures reflect estimated costs in the procurement request documents issued by the requiring activities.

2./ Two entries represent a single contracting action; entry for quantity of two (2) each covers first article testing units priced separately in the contracts.

3./ Quantity and unit-price data not readily available for majority of OCALC cases, which were documented in computer listings generated at the procuring installation.

WRALC - Warner Robins ALC, Warner Robins, GA

SAALC - San Antonio ALC, San Antonio, TX

OOALC - Ogden ALC, Ogden, UT

OCALC - Oklahoma City ALC, Oklahoma City, OK

Procuring Activity	Item	Current Contract Award, Following Breakout, and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./	Total Dollar Savings	Savings -or- Cost Reduction Percent
		Quantity	Unit-Price	Total	Unit-Price	Total Amount		
WRALC	Shaft Shoulder	138	$ 33.25	$ 4,588.50	$ 56.67	$ 7,820.46	$ 3,231.96	41.2
	Seal Assy	467	199.75	93,283.25	355.49	166,013.83	72,730.58	43.8
	Nose Cowling Frame	112	548.93	61,480.16	1,705.00	190,960.00	129,479.84	67.8
	" " " 2./	2	1,254.89	2,509.78	4,600.00	9,200.00	6,690.22	72.7
	Remote Relay	226	384.64	86,928.64	577.00	130,402.00	43,473.36	33.3
	Transmitter	30	1,750.00	52,500.00	1,853.00	55,590.00	3,090.00	5.6
	Simulator Plug	432	197.00	85,104.00	207.20	89,510.40	4,406.40	4.9
	Pre-Amp	139	174.00	24,186.00	699.47	97,226.33	73,040.33	75.1
	Bell Crank Assy	88	105.11	9,249.68	482.05	42,420.40	33,170.72	78.2
	" " " 2./	2	375.00	750.00	482.05	964.10	214.10	22.2
	Fairing Assy	54	783.40	42,303.60	1,534.38	82,856.52	40,552.92	48.9
	Filter, Amplifier	17	330.00	5,610.00	961.00	16,337.00	10,727.00	65.7
	Filter, Fluid Pressure	746	18.01	13,435.46	50.00	37,300.00	23,864.54	64.0
	" " " 2./	2	20.65	41.30	50.00	100.00	58.70	58.7
	Filler Assy	92	208.05	19,140.60	304.65	28,027.80	8,887.20	31.7
	Bomb & Rack Dispenser	40	8,222.00	328,880.00	10,332.83	413,313.20	84,433.20	20.4
	Bomb & Rack Dispenser	53	8,222.00	435,766.00	10,332.83	547,639.99	111,873.99	20.4
	Bomb & Rack Dispenser	242	7,357.00	1,780,394.00	10,332.83	2,500,544.86	720,150.86	28.8
SAALC	Seal	22	480.00	10,560.00	578.90	12,735.80	2,175.80	17.1
	Seal Door	23	141.60	3,256.80	170.76	3,927.48	670.68	17.1
	Leading Edge	70	650.00	45,500.00	723.60	50,652.00	5,152.00	10.2
	Firewall	399	28.80	11,491.20	34.73	13,857.27	2,366.07	17.1
	Firewall	372	28.80	10,713.60	34.73	12,919.56	2,205.96	17.1
	Blanket	90	73.00	6,570.00	85.97	7,737.30	1,167.30	15.1
	Firewall	289	346.07	100,014.23	359.29	103,834.81	3,820.58	3.7
	Firewall	233	187.00	43,571.00	265.30	61,814.90	18,243.90	29.5
	Firewall	219	58.00	12,702.00	73.57	16,111.83	3,409.83	21.2
	Panel Assy	201	125.00	25,125.00	150.81	30,312.81	5,187.81	17.1
	Door Assy	10	1,405.00	14,050.00	1,675.98	16,759.80	2,709.80	16.2
	Hard Shell	4,913	4.54	22,305.02	5.34	26,235.42	3,930.40	15.1
	Armrest	48	320.40	15,379.20	386.44	18,549.12	3,169.92	17.1

Procuring Activity	Item	Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./	Total Dollar Savings	Savings -or- Cost Reduction Percent
		Quantity	Unit-Price	Total	Unit-Price	Total Amount		
SAALC	Curtain Assy	74	$ 51.15	$ 3,785.10	$ 60.23	$ 4,457.02	$ 671.92	15.1 %
	Lever Vane	14	397.03	5,558.42	408.94	5,725.16	166.74	2.9
	Guide, Piston	914	46.13	42,162.82	55.63	50,845.82	8,683.00	17.1
	Valve, Fuel	473	36.36	17,198.28	46.50	21,994.50	4,796.22	21.8
	Power Unit	29	455.95	13,222.55	561.30	16,277.70	3,055.15	18.8
	Jaw Set	17	254.40	2,798.40	720.11	7,921.21	5,122.81	64.7
	Fairing	132	24.95	3,293.40	30.08	3,970.56	677.16	17.1
	Yoke	113	128.60	14,531.80	227.90	25,752.70	11,220.90	43.6
	Seal	98	123.75	12,127.50	149.28	14,629.44	2,501.94	17.1
	Handgrip	48	139.87	6,713.76	196.34	9,424.32	2,710.56	28.8
	Valve Control	38	243.26	9,243.88	325.60	12,372.80	3,128.92	25.3
	Cable, Ripcord	450	5.85	2,632.50	6.51	2,929.50	297.00	10.1
	Cover	63	2.00	126.00	20.77	1,308.51	1,182.51	90.4
	Tooth Adapter	127	14.14	1,795.78	19.75	2,508.25	712.47	28.4
	Monitor	2	1,750.00	3,500.00	3,100.00	6,200.00	2,700.00	43.6
	Tooth	165	9.15	1,509.75	11.54	1,904.10	394.35	20.7
	Button	72	10.00	720.00	34.45	2,480.40	1,760.40	71.0
	Lower Jaw	12	81.77	981.24	93.20	1,118.40	137.16	12.3
	Plate	3	60.00	180.00	142.19	426.57	246.57	57.8
	Frame	6	99.77	598.62	231.30	1,387.80	789.18	56.9
	Block	6	108.00	648.00	217.53	1,305.18	657.18	50.4
	Drift	6	47.13	282.78	50.48	302.88	20.10	6.6
	Hub	13	130.41	1,695.33	361.40	4,698.20	3,002.87	63.9
	Wrench	119	51.33	6,108.27	88.87	10,575.53	4,467.26	42.2
	Jaw Set	52	125.00	6,500.00	265.84	13,823.68	7,323.68	53.0
OOALC	Transformer	27	175.00	4,725.00	428.70	11,574.90	6,849.90	59.2
	Connector	167	0.678	108.48	20.00	3,200.00	3,091.52	96.6
	Mount	889	555.45	493,795.05	1,139.00	1,012,571.00	518,775.95	51.2
	Cable Assy	556	20.92	11,631.52	29.82	16,579.92	4,948.40	29.9
	Cable Assy	32	3,225.00	103,200.00	4,902.96	156,894.72	53,694.72	34.2
	Spacer	295	6.60	1,947.00	80.00	23,600.00	21,653.00	91.4

		Current Contract Award, Following Breakout and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./		Savings -or- Cost
Procuring Activity	Item	Quantity	Unit-Price	Total	Unit-Price	Total Amount	Total Dollar Savings	Reduction Percent
OOALC	Gasket	3,900	$ 0.357	$ 1,392.30	$ 4.63	$ 18,057.00	$ 16,664.70	92.3 %
	Link Assy	1,069	119.90	128,173.10	174.70	186,754.30	58,581.20	31.4
	Insert	332	11.75	3,901.00	129.26	42,914.32	39,013.32	90.9
	Washer	297	9.00	2,673.00	55.48	16,477.56	13,804.56	83.8
	Stiffener	416	5.84	2,429.44	7.39	3,074.24	644.80	21.0
	Bushing	139	95.00	13,205.00	180.00	25,020.00	11,815.00	47.2
	Pin	185	20.35	3,764.75	40.91	7,568.00	3,803.25	50.2
	ID Plate	1,651	.09	148.59	19.00	31,369.00	31,220.41	99.5
	Spacer	5,450	.43	2,343.50	.63	3,433.50	1,090.00	31.8
	Link Assy	92	127.98	11,774.16	170.03	15,642.76	3,868.60	24.7
	Bushing	215	44.28	9,520.20	173.76	37,358.40	27,838.20	74.5
	Bellcrank	326	289.00	94,214.00	365.48	119,146.48	24,932.48	20.9
	Jury Strut	56	182.50	10,220.00	252.73	14,152.88	3,932.88	27.8
	Fairing	252	15.76	3,971.52	59.32	14,948.64	10,977.12	73.4
	Bracket	122	11.22	1,368.84	24.45	2,982.90	1,614.06	54.1
	Side Mount	182	141.00	25,662.00	313.40	57,038.80	31,376.80	55.0
	Zee	43	29.00	1,247.00	72.82	3,131.26	1,884.26	60.2
	Flag	150	29.85	4,477.50	101.20	15,180.00	10,702.50	70.5
	Cable Assy	43	780.00	33,540.00	835.79	35,938.97	2,398.97	6.7
	Fitting Assy	400	116.63	46,652.00	124.73	49,892.00	3,240.00	6.5
	Spacer	483	8.45	4,081.35	18.66	9,012.78	4,931.43	54.7
	Support	72	22.33	1,607.76	185.73	13,372.56	11,764.80	88.0
	Insulator	526	11.60	6,101.60	26.23	13,796.98	7,695.38	55.8
	Bushing	79	169.00	13,351.00	224.77	17,756.83	4,405.83	24.8
	Tube Assy	124	57.00	7,068.00	116.64	14,463.36	7,395.36	51.1
	Angle	149	43.35	6,459.15	126.44	18,839.56	12,380.41	65.7
	Support	444	17.42	7,734.48	23.65	10,500.60	2,766.12	26.3
	Washer, Flat	1,968	.68	1,338.24	3.59	7,065.12	5,726.88	81.1
	Pin	93	59.00	5,487.00	290.63	27,028.59	21,541.59	79.7
	Piston	525	11.95	6,273.75	19.47	10,221.75	3,948.00	38.6
	Tip Assy	52	483.50	25,142.00	671.36	34,910.72	9,768.72	28.0

		Current Contract Award, Following Breakout, and Competitive Solicitation			Prior Award or Current Bid Price of Sole Source 1./	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./		Savings -or- Cost
Procuring Activity	Item	Quantity	Unit-Price	Total	Unit-Price	Total Amount	Total Dollar Savings	Reduction Percent
OOALC	Pin Trunnion	107	$ 79.94	$ 8,553.58	$ 87.50	$ 9,362.50	$ 808.92	8.6 %
	Sleeve	26	64.00	1,664.00	129.51	3,367.26	1,703.26	50.6
	Cable Assy	674	20.60	13,884.40	39.00	26,286.00	12,401.60	47.2
	Angle, Web	37	234.80	8,687.60	308.40	11,410.80	2,723.20	23.9
	Spacer	774	1.97	1,524.78	17.63	13,645.62	12,120.84	88.8
	Rod End Assy	252	32.30	8,139.60	77.10	19,429.20	11,289.60	58.1
	Housing Assy	470	20.00	9,400.00	106.03	49,834.10	40,434.10	81.1
	Access Cover	105	80.64	8,467.20	112.79	11,842.95	3,375.75	28.5
	Bracket Assy	22	96.21	2,116.62	479.75	10,554.50	8,437.88	80.0
	Bearing Tube	2,023	2.02	4,086.46	7.35	14,869.05	10,782.59	72.5
	Bell Crank	45	146.25	6,581.25	295.75	13,308.75	6,727.50	50.6
	Fitting Assy	21	144.00	3,024.00	180.69	3,794.49	770.49	20.3
	Fitting	13	190.15	2,471.95	720.95	9,372.35	6,900.40	73.6
	Pin Retainer	996	3.53	3,515.88	18.53	18,455.88	14,940.00	81.0
	Bushing	184	2.50	460.00	60.65	11,159.60	10,699.60	95.9
	Thermal Battery	762	198.00	150,876.00	402.60	306,781.20	155,905.20	50.8
	Bushing	167	16.90	2,822.30	75.00	12,525.00	9,702.70	77.5
	Rack	136	875.00	119,000.00	1,809.00	246,024.00	127,024.00	51.6
	Skin Assy	135	23.20	3,132.00	77.28	10,432.80	7,300.80	70.0
	Access Door	112	162.50	18,200.00	195.00	21,840.00	3,640.00	16.7
	Bumper, Plastic	580	.5662	328.40	5.32	3,085.60	2,757.20	89.4
	Insulation Blanket	109	9.05	986.45	37.35	4,071.15	3,084.70	75.8
	Rod End Assy	104	34.61	3,599.44	47.15	4,903.60	1,304.16	26.6
	Retainer	266	25.56	6,798.96	212.43	56,506.38	49,707.42	88.0
	Pin	100	8.03	803.00	45.28	4,528.00	3,725.00	82.3
	Shaft	68	67.90	4,617.20	85.74	5,830.32	1,213.12	20.8
	Fairlead	682	.45	306.90	5.26	3,587.32	3,280.42	91.4
	Washer	310	1.7662	547.52	21.20	6,572.00	6,024.48	91.7
	Fitting	63	45.00	2,835.00	237.47	14,960.61	12,125.61	81.1
	Canopy Support	21	115.40	2,423.40	146.79	3,082.59	659.19	21.4
	Plug	56	19.65	1,100.40	78.02	4,369.12	3,268.72	74.8

Procuring Activity	Item	Current Contract Award, Following Breakout and Competitive Solicitation: Quantity	Current Contract Award, Following Breakout and Competitive Solicitation: Unit-Price	Current Contract Award, Following Breakout and Competitive Solicitation: Total	Prior Award or Current Bid Price of Sole Source 1./: Unit-Price	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./: Total Amount	Total Dollar Savings	Savings -or- Cost Reduction Percent
OOALC	Skin, LH	160	$ 26.77	$ 4,283.20	$ 29.07	$ 4,651.20	$ 368.00	7.9 %
	Cover	66	89.75	5,923.50	137.81	9,095.46	3,171.96	34.9
	Cover Assy	25	64.84	1,621.00	223.45	5,586.25	3,965.25	71.0
	Nut, Lock	3,135	1.20	3,762.00	5.99	18,778.65	15,016.65	80.0
	Panel Assy	56	609.00	34,104.00	1,554.00	87,024.00	52,920.00	60.8
	Skin	230	80.50	18,515.00	199.93	45,983.90	27,468.90	59.7
	Door	105	90.75	9,528.75	219.22	23,018.10	13,489.35	58.6
	Weld Assy	128	487.00	62,336.00	637.13	81,552.64	19,216.64	23.6
	Wing Rib	12	4,004.00	48,048.00	4,672.29	56,067.48	8,019.48	14.3
	Skin	35	275.00	9,625.00	359.32	12,576.20	2,951.20	23.5
	Skin	193	72.50	13,992.50	84.80	16,366.40	2,373.90	14.5
	Skin	171	72.50	12,397.50	84.80	14,500.80	2,103.30	14.5
	Aircraft Mod Kit	373	11,496.51	4,288,198.23	18,547.41	6,918,183.93	2,629,985.70	38.0
	Panel Assy	24	1,555.00	37,320.00	1,735.00	41,640.00	4,320.00	10.4
	Rib, Aircraft	52	190.00	9,880.00	223.00	11,596.00	1,716.00	14.8
OCALC	Tab Assy	42	4,000.00	168.000.00	8,882.88	373,080.96	205,080.96	55.0
	Wing Tab Assy, LH	19	4,000.00	76,000.00	11,007.53	209,143,07	133,143.07	63.7
	Wing Tab Assy	16	4,000.00	64,000.00	11,007.53	176,120.48	112,120.48	63.7
	Eccentric Ring	117	13.80	1,614.60	130.00	15,210.00	13,595.40	89.4
	Filter 3./	3./	3 /	9,750.00	3 /	13,500.00	3,750.00	27.8
	Filter			10,400.00		12,040.00	1,640.00	13.6
	Seal			42,438.00		71,633.00	29,195.00	40.7
	Bolt			27,261.00		35,628.00	8,367.00	23.5
	Seat			2,272.00		3,466.00	1,194.00	34.5
	Filter			45,820.00		73,541.00	27,721.00	37.7
	Clamp			21,483.00		31,822.00	10,339.00	32.5
	Seal			11,084.00		21,038.00	9,954.00	47.3
	Conduit			4,204.00		8,823.00	4,619.00	52.4
	Rod Assy			3,854.00		6,458.00	2,604.00	40.3
	Duct			3,750.00		18,025.00	14,275.00	79.2
	Panel			12,000.00		24,129.00	12,129.00	50.3

Procuring Activity	Item		Current Contract Award, Following Breakout and Competitive Solicitation: Quantity	Unit-Price	Total	Prior Award or Current Bid Price of Sole Source 1./: Unit-Price	Extrapolated Total Contract Amount for Current Award Quantity, Based Upon Last Prior Award or Current Bid Price of Sole Source 1./: Total Amount	Total Dollar Savings	Savings -or- Cost Reduction Percent
OCALC	Air Seal	3./	3./	3./	$ 93,330.00	3./	$ 129,320.00	$ 35,990.00	27.8 %
	Clamp				11,216.00		16,362.00	5,146.00	31.5
	Panel				4,500.00		6,011.00	1,511.00	25.1
	Cover				32,900.00		43,345.00	10,445.00	24.1
	Panel				12,980.00		13,551.00	571.00	42.1
	Bearing				67,756.00		92,573.00	24,817.00	26.8
	Panel				6,435.00		29,697.00	23,262.00	78.3
	Bearing				140,392.00		171,147.00	30,755.00	18.0
	Spacer				26,568.00		30,080.00	3,512.00	11.7
	Connector				14,414.00		22,438.00	8,024.00	35.8
	Panel				4,680.00		7,738.00	3,058.00	39.5
	Panel				2,500.00		7,155.00	4,655.00	65.1
	Spacer				7,031.00		15,652.00	8,621.00	55.1
	Panel				9,900.00		12,966.00	3,066.00	23.7
	Spacer				8,136.00		28,991.00	20,855.00	71.9
	Panel				4,200.00		9,928.00	5,728.00	57.7
	Panel				12,600.00		16,429.00	3,829.00	23.3
	Clamp				10,336.00		14,030.00	3,694.00	26.3
	Panel				9,900.00		11,345.00	1,445.00	12.7
	Panel				5,850.00		15,653.00	9,803.00	62.6
	Panel				10,450.00		11,664.00	1,214.00	10.4
	Strap				4,512.00		5,986.00	1,474.00	24.6
	Clamp				7,953.00		10,615.00	2,662.00	25.1
	Door				2,800.00		4,497.00	1,697.00	37.7
	Housing				2,077.00		3,900.00	1,823.00	46.7
	Bolt				5,514.00		6,489.00	975.00	15.0
	Spacer				7,324.00		36,621.00	29,297.00	80.0
	Bracket				532.00		1,474.00	942.00	63.9
	Ring				5,644.00		7,332.00	1,688.00	23.0
			TOTALS:		$10,622,882.05		$17,276,546.88	$6,653,663.83	38.5%

1./ Unit-price and Extrapolated Total Amount figures are, in the vast majority of cases, either bid prices for the current acquisition following SBA PCR breakout achievement or the last prior contract award prices of the noncompetitive or restricted source producers. In some instances, e.g., where the last prior award pricing data were not reasonably available and/or the former noncompetitive producers failed to bid for the current competitive acquisitions following breakout, the unit-price and extrapolated total amount figures reflect estimated costs in the procurement request documents issued by the requiring activities.

2./ Two entries represent a single contracting action; entry for quantity of two (2) each covers first article testing units priced separately in the contracts.

3./ Quantity and unit-price data not readily available for majority of OCALC cases, which were documented in computer listings generated at the procuring installation.

WRALC - Warner Robins ALC, Warner Robins, GA

SAALC - San Antonio ALC, San Antonio, TX

OOALC - Ogden ALC, Ogden, UT

OCALC - Oklahoma City ALC, Oklahoma City, OK

SBA

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administrator
for Procurement Assistance

Subject: Commercial Products

To: Mr. John Battan, GSA/FSS
Chairperson, Task Force Group I

This refers to the Working Draft on Commercial Products dated June 19, 1981 which was prepared by Task Group I. In the interest of accommodating the stringent time restraints governing the project's completion, we are offering, our comments on those areas of Task Group I's draft report which give this Agency concern.

As you know, all executive agencies of the U.S. Government are specifically required by Federal Statute to protectively consider the interests of small business when awarding contracts for goods and services, so as to assure that a fair porportion of such awards are placed with small business. This policy has been in effect for over thirty years and throughout that entire period there has been no suggestion whatever on the part of our nation's leaders that implementation of the "fair share" policy should be abondoned or weakened. Rather, just as each succeeding Congress invariably reaffirms support for this longstanding policy through the enactment of strengthening amendments, so too does each succeeding Administration evidence its interest in the policy's continuation by the issuance of supportive proclamations.

Recent expressions of concern over our nation's diminishing base of industrial suppliers, particularly in the defense-industrial area leads to the justifiable conclusion that a critical need exists to aggressively implement the "fair share" policy. This would not only help assure the retention in the base of those capable small manufacturing firms already committed to serving the Government; It would also serve to broaden the base by encouraging other reliable small manufacturers to participate.

Our emphasis, in this memo, on small manufacturing concerns as opposed to small business distributors and dealers should not be construed as disinterest in helping the latter groups. It merely reflects our view that the draft report as written poses no problesm for non-manufacturers desiring to serve as Government suppliers. It does, however, pose significant problems for small manufacturers who have chosen to concentrate on Government markets rather than develop a sales force and enter the Commercial Market. Similarly, it makes it extremely difficult, if not impossible, for newly - formed manufacturing concerns, with little or no record of commercial sales to vie for Government procurement opportunities. It is in this context that these comments are offered.

Part II of the draft report (Page 1 - Subpart 4.3 - Regulations) states that "The Federal Property Management Regulation has established a preferred form of functional of (sic) performance products descriptions that are called Commercial Item Descriptions (CID)."

If, under Legislation (Subpart 4.1), it was clearly stated that specific statutory preferences exists for small business, uncircumscribed by commercial or non-commercial considerations, the difficulties posed by undue emphasis on the use of "CID's" as opposed to "Simplified Item Descriptions" would be instantly apparent. As pointed out below, market acceptability is not necessarily an indication of quality. In too many instances it is a function of size, equating to advertising budgets, distribution systems, etc. A company that has made a conscious decision not to seek commercial markets for a given product, or a new business should not be precluded from bidding on government contracts merely for those reasons.

Subpart 5.1 - Simplification - Timeliness (Page 3) indicates that solicitation provisions designed to further socio-economic objectives become meaningless when applied to commercial products which have already been produced or when the Government is a small purchaser. Such provisions do not at all necessarily increase costs as stated. They not only serve to foster subcontracting opportunities for segments of industry who might not otherwise be considered, but can be used to encourage small business participation on a prime basis, dual considerations which remain national policy objectives. Only through the use of such provisions is industry given encouragement to explore alternative production possibilities.

Subpart 5.3 - Meaningful Competition (Part 4) The statement that no appreciable effort to enlarge the Government's base of suppliers and products require clarification. The Federal Government spends untold dollars on its continuing program of sponsoring Procurement Opportunity Conferences which has as its prime objective the intent of increasing its base of suppliers by encouraging attending firms to participate in the procurement process. It should also be noted that this Agency's PASS System is a continuing process to add to the Governments base of industrial suppliers.

If in using the term Socio-Economic legislation the intent is to include those provisions which authorize the use of small business set asides, a disservice is being rendered as such actions commonly stimulate more competitive prices than previously prevailed. Relative to the statement on marginal sources, it is submitted that sufficient administrative remedies are currently available to contracting officials to guard against such happenings. It hardly seems fair to blame Socio-Economic legislation for inadequacies of contracting officials.

Sulpart 5.4 - Uniform Policies - Flexible Operations (Page 5) The final sentence of this subpart states that a need exists for a clear Government-wide policy as to whether or not suppliers responding to commercial product solicitations must offer products with established market acceptability. The statement under Sulpart 7.2 - Policies (page 6) calling for a strong bias to be established for the use of commercial products, buttressed by Subpart 7.3 - Regulations (page 6) which states that the regulations will consist of "... evaluation criteria much as Market acceptability..." leads to the conclusion that the clear intent is to have a commercial Products policy which will limit soliciation (and consideration of bids from) only those firms which have established commercial market acceptability.

This agency is adamantly opposed to such a provision for it would, despite an official Government policy of preference towards small business, deny to many if not most small manufacturers the right to compete even in the face of proven reliability, if they had not established an extensive commercial market. It hardly needs to be pointed out that established market acceptability is not a guarantee of product reliability. Product recalls of our own giant-sized automobile manufacturers furnish ample testimony on this score.

It is not our intent to appear obstructive or to offer unnecessarily lengthy comments. We merely want to assure that under the New Federal Procurement System, small business manufacturers are permitted on an equal and equitable opportunity to bid on Government procurements. Seemingly, this could be accomplished to the satisfaction of all if emphasis is placed on the development of simplified item descriptions rather than commercial item descriptions, and without any reference to such a restrictive provision as established commercial market acceptability.

We appreciate having been afforded the opportunity to offer a comment on the working draft of Task Force 1 and trust that they will accepted in the same constructive vein as offered.

Bernard Kulik
Associate Adminstrator
for Procurement Assistance

SBA
U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administrator
for Procurement Assistance

Subject: FPS, Task Group 2 First Report

To: Ted Henningsen, DOD/Corps, Chairperson
Task Group 2

We have reviewed the first report on the working draft you are preparing on construction procurement and would like to offer the following comments and recommendations:

Your proposed new federal procurement system calls for:

- The elimination of the small business set-aside program or the restriction of the program so that it would apply only to construction procurements estimated to cost $2 million or less.
- The elimination of the Section 8(a) program.
- The establishment of a socially and economically disadvantaged small business class set-aside program.
- A limitation on the authority of the Small Business Administration to decide small business size protests by transferring the authority to the General Accounting Office if the Small Business Administration does not make a decision within 15 days of the day the protest is filed.

We do not believe that the elimination or curtailing of the small business program would result in a more efficient and effective system than the one we are presently dealing with. Contrary to the conclusions of the task group we believe that the result would be a less competitive, less effective and less efficient system than we now have.

Contrary to the conclusions of the task group we do not believe that the small business set aside program unreasonably limits competition in the Construction Industry. It enhances competition by helping to assure that a sufficient number of small firms continue in the industry to provide competition amongst themselves and amongst large firms on unrestricted procurement. As the report indicates, the vast majority of businesses in this industry are small. Elimination of set asides would only assist the few large businesses and would be counter-productive to the vast number of small businesses. Predatory practices such as "bidding-in," etc. are certainly not unknown in this industry. The eventual result would be to lessen, not increase competition.

Many federal agencies agree and have set aside contruction procurement up to a specified dollar value as a class after determining that there was a reasonable expectation that adequate competition exists. In fact some agencies have recently raised their dollar values. Construction procurements above the stated limits are examined on an individual basis and where contracting officers have determined that there is a reasonable expectation of adequate competition these procurements are also set aside for small business concerns.

The benefits of the small business set-aside program in the construction area as well as other areas of the procurement are many. The program guards against economic concentration which is viewed by many as a threat to the free enterprise system and of democracy itself. Besides assisting in the preservation and growth of a free and dynamic society, the prevention of possible further economic concentration in the hands of larger companies benefits the national security. This includes the elimination of a need to overload facilities which might be concentrated in vulnerable target areas and the avoidance of duplicating existing facilities with consequent waste of building materials, capital equipment and labor, as well as of the unused resources and talents of small construction organizations themselves.

Congress for reasons cited above as well as others has often declared that the security and well being of the nation cannot be realized unless the actual and potential capacity of small business is encouraged and developed. There is no doubt that the Congress and the President support the view that all small business firms including those which are socially and economically disadvantaged must be given opportunities and advantages in obtaining government awards. The question of the 8(a) program involves much more than merely the construction industry and substantial changes to that program should not be considered in this report. Suffice it to say that the recommended new class set aside for "small and economically disadvantaged businesses" raises more questions than it answers.

With respect to size protests, the paragraph on page 9 entitled "Bid Protest" comes as a surprise. If there is a problem between GAO and SBA in making size determinations it has not been brought to our attention. GAO certainly has a sizable workload and we do not believe transferring size decisions to GAO would accomplish any beneficial purpose. It should also be noted that SBA's jurisdiction is limited to size matters and does not include all other facets of bid protests.

Bernard Kulik
Associate Administrator
for Procurement Assistance

SBA
U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: 11 7[illegible]

From: AA/PA

bject: Comments on First Report of Task Group #3

To: Thomas Anderson
Department of Energy

In reworking your working draft, first report of Task Group #3, we request that you take the following points into consideration. These points are numbered in accord with numbering system of your draft.

Page 7 8.0 - Proposal and Bid Evaluation

While we concur that refinements to the evaluation process will vastly improve the system we have very serious doubts as to the wisdom of using other than government personnel in the evaluation process. We do not see how competition, simplicity or uniformity will be enhanced by this action. If government personnel are not used then it follows that industry personnel must be used. Such procedure will produce major conflicting positions which could very well result in innumerable litigation cases. We strongly recommend that this alternative be deleted.

Management System Proposal 6.0 - Alternatives Considered

Preference for small business in the procurement process is national policy enunciated in Public Law 85-536 as amended. The purpose of this national policy is, inter alia, to maintain and strengthen the overall economy and industrial base of the Nation by placing with small business enterprises a fair proportion of the total purchases and contracts or subcontracts for the government. In view of this mandated policy we do not concur that preferential treatment for small business in the procurement process is "extraneous to accomplishment of the basic objective of procurement."

If you are including small business in the term "socio-economic requirements" then this Agency interposes a very strong objection to your recommended alternative. It is strongly recommended that a definitive statement be included in the recommended alternative that exempts small business from inclusion therein.

Bernard Kulik
Associate Administrator for
Procurement Assistance

U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administrator
for Procurement Assistance

Subject Major Systems

To. Mr. John Smith, DOD
Chairperson - Task Group 4

This refers to the working draft on Major Systems dated June 19, 1981 While the draft report itself, as submitted, poses no serious problems, we are concerned at some of the points raised by AIA in its matrixed form which was appended to the draft.

It was our understanding that the draft reports of the working groups would represent the products of Government members only. We were taken somewhat aback, therefore, to find that Industry's Views had apparently been solicited as part of the initial thrust as we had assumed that Industry would subsequently, and before final form is accomplished, be given ample opportunity to voice its views. Not knowing at this time which of Industry's recommendations might subsequently be accepted by Task Group 4, and fearful lest the compressed time schedule might not permit us sufficient opportunity later to state our views, we offer the following general comments.

Industry's issues numbered 3, 20, 23, 32, 44, 45, 48, and 49 as described on its matrixed form raise concerns and, in some instances, objections. The inked-in parenthetical note by issue 3 calls for the reduction of Government direction over contractors' efforts. This plus all of the other issue points referred to herein, essentially countenance a lightening of the Government's requirements on its contractors. While in theory such objective has merit and may indeed be warranted in some instances experience has proven that absent some degree of direction and performance review by Government, some elements of industry frequently allow worthwhile programs to suffer neglect. It was just such a circumstance that led Congress to incorporate in Public Law 95-507 some features which individual industry members find objectionable and which the Industry Association may be alluding to in Issue #32.

We trust that the Task Group is thoroughly appreciative of our Government's official small business policy which was statutorily established more than thirty years ago. This preferential policy has done much to stimulate completion for Government contracts while at the same time helping to assure our Government a well rounded industrial base of reliable suppliers. As a result it has gained the support of each succeeding Congress and Administration since its inception. Familiarity with the policy and the accomplishments gained through its implementation should greatly aid the Task Group in its consideration of issues impinging on it.

We appreciate having been afforded the opportunity to offer the foregoing comments.

Bernard Kulik
Associate Administrator
for Procurement Assistance

SBA U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administrator
for Procurement Assistance

Subject: FPS, Task Group 5 First Report

To: Charlie Ventura, DOD, Chairperson
Task Group 5

We have reviewed the first report on the working draft you are preparing on procurement under Grants and would like to offer the following comments:

. Task Group 5, which was responsible for preparing a working draft report on procurement under grants, found that the current system as embodied in attachment "O" to OMB circular A-102 and A-110 generally provide sufficient guidance for recipients to make proper procurements while permitting the flexible approaches needed in dealing with a diverse array of assistance recipients.

. The Task Group proposed six changes to attachment O to OMB circular A-102 and/or attachment O to OMB circular A-110 one of which was that the language of the guidelines in A-102 and A-110 which encourages recipients to ensure that small and minority businesses are given the maximum opportunity to compete for contracts be changed to specifically state that there is no intent that these firms be given preferenital treatment.

. We believe that the language as it now stands is clear that preferential treatment is not called for. Misunderstandings of grantees that small business, minority business and women owned businesses were entitled to preferential treatment were based on guidance furnished by Federal agencies which interpreted affirmative action requirements in Federal statutes to include the use of preferential procurement procedures. In fact we believe the proposed language would be interpreted in a negative fashion.

We recommend therefore that the guidelines in attachements "O" to OMB circulars A-102 and A-110 remain unchanged.

Bernard Kulik
Associate Administrator
for Procuement Assistance

SBA
U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administrator
for Procurement Assistance

Subject: Policies

To: Mr. Leroy Hopkins, NASA
Chairperson, Task Group 10

This refers to the Working Draft on Commercial Products dated June 19, 1981. In the interest of accommodating the stringent time restraints governing the project's completion, we are offering our comments on that area of Task Group 10's draft report which gives this Agency concern.

As you know, all executive agencies of the U.S. Government are specifically required by Federal Statute to protectively consider the interests of small business when awarding contracts for goods and services, so as to assure that a fair porportion of such awards are placed with small business. This policy has been in effect for over thirty years and throughout that entire period there has been no suggestion whatever on the part of our nation's leaders that implementation of the "fair share" policy should be abondoned or weakened. Rather, just as each succeeding Congress invariable reaffirms support for this longstanding policy through the enactment of strengthening amendments, so too does each succeeding Administration evidence its interest in the policy's continuation by the issuance of supportive proclamations.

Recent expressions of concern over our nation's diminishing base of industrial suppliers, particularly in the defense-industrial area, leads to the justifiable conclusion that a critical need exists to aggressively implement the "fair share" policy. This would not only help assure the retention in the base of those capable small business firms already committed to serving the Government; It would also serve to broaden the base by encouraging other reliable small companies to participate.

A reading of the Small Business Act (PL 85-536) reveals that realization of the "fair share" objective is expected to be accomplished by pursuing the official policy of aiding, counselling assisting and insofar as is possible, protecting the interest of small business.

In consideration of the foregoing, and recognizing that Task Group 10's report should reflect official Government policies concerning procurement, we think it important that reference be made in it to the Government's official policy on small business. We, therefore, fully support the suggestion made earlier by this Agency's Task Group Member and recommend that the penultimate sentence of Subpart 7.0 (c) be revised to read as indicated below:

> The Federal Acquisition Regulatory Council would be composed of the Principal Acquisition Official from a small, but representative, number of executive agencies and, to assure that consideration is given to the Government's long-standing official policy to aid counsel and assist small business, would include as a voting member, an official from the Small Business Administration.

We trust that the above comments will prove helpful to the Task Group and the proposed revision to its report will be accepted.

Bernard Kulik
Associate Administrator
for Procurement Assistance

SBA
U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administrator
for Procurement Assistance

Subject: FPS, First Report of Task Group 8
Services

To: Jon Blaker, DOD
Chairperson, Task Group 8

We have reviewed the working draft submitted by Task Group 8 on services and while in general we interpose no objection we take exceptions to the following:

- The proposal on page 7 to repeal socio-economic legislation as it relates to procurement.
- The conclusion on page 11 that laws relating to small and disadvantaged business will artifically increase costs under Government service contracts. On the contrary the fostering and encouraging of the growth of small and disadvantaged businesses under Government service contracts may well help to lower costs to the Government because of increased competition.
- The establishment of a data bank of contractor performance history, a practice which we believe has been used to the unjustified disadvantage of small business firms in the past, and may well violate the Certificate of Competency provisions of the Small Business Act.

We appreciate having been afforded the opportunity to review the working draft.

Bernard Kulik
Associate Administrator
for Procurement Assistance

U S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D C 20416

Date JUL 7 1981

To Col. David Herfel, Chairperson
Task Group 12

From Small Business Administration

Subject FPS; Task Group 12 First Report

Generally we agree with the concepts and recommendations expressed in the Task Group report. It obviously represents a great deal of effort and thought and you and the Task Group members are to be commended for your work.

However, some facets of the Management Systems Proposal cause some concern. Specifically:

1. We believe the concept of a Senior Procurement Council (SPC) is a good one but it should be made clear that the SPC is an advisory body to the Administrator of OFPP, not a superior organization. OFPP should be the Executive Branch leader in the procurement area and it would be counter-productive to permit it to act only with the agreement of the SPC. A course of action proposed by the SPC should constitute a recommendation to OFPP and not be binding on it.

2. We agree that the SPC function should include that of the FAR. In fact we question the need for a separate FAR council. Couldn't the Far Council and the SPC be one and the same?

3. We believe any agency should be permitted to appeal a decision of the Administrator of OFPP to the OMB Director. As a practical matter, it would be virtually impossible for an agency to waive in advance its right of appeal on a matter that may, in the future, prove to be of vital concern to the Agency.

If you wish we would be happy to discuss these points with you or other members of the Task Group.

Bernard Kulik
Associate Administrator
for Procurement Assistance

SBA
U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: JUL 7 1981

From: Associate Administator
for Procurement Assistance

Subject: FPS, Task Group 16, First Report

To: Paul Arvis, DOD/Army
Chairperson, Task Group 16

We have reviewed the working draft proposed by the Task Group and are in general agreement with the concept and thoughts expressed. However, we think the two following areas should be tightened up in the next draft:

1. It should be made clear that negotiated awards that will be considered competitive are those which are widely publicized to permit competition. Severely limited negotiations where only a small number of businesses are given the opportunity to become involved cannot be equated with competition. We believe competition, whether through formal advertising or a widely publicized negotiation process will benefit both the procuring agency and small business.

2. The concept of recognizing a "follow-on sole source as within the competition process if following an initial contract awarded competitively" expressed on page 5 of the draft is too broad. As stated, it is open to great abuse (bidding-in, non competitive spare parts awards, etc). There should be practical limitations placed on this concept. The sentence at the top of page 13 is a good start on such limitations.

We appreciate the opportunity to review the first draft and make these comments.

Bernard Kulik
Associate Administrator
for Procurement Assistance

APPENDIX 2.—DEPARTMENT OF DEFENSE RESPONSE TO SUBCOMMITTEE QUERIES

JOHN J. LAFALCE, N.Y.
CHAIRMAN

ROMANO L. MAZZOLI, KY.
JOSEPH P. ADDABBO, N.Y.
FREDERICK W. RICHMOND, N.Y.
THOMAS A. LUKEN, OHIO
BUDDY ROEMER, LA.
GEORGE W. CROCKETT, JR.

United States House of Representatives
Committee on Small Business
Subcommittee on General Oversight
2361 Rayburn House Office Building
Washington, D.C. 20515

J. WILLIAM STANTON, OHIO
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J. WILLIAM MC GLOON
MINORITY SUBCOMMITTEE
PROFESSIONAL
STAFF MEMBER
202-225-4341

July 14, 1981

The Honorable Richard D. DeLauer
Undersecretary for Research
and Engineering
Department of Defense
Room 3E 1006
The Pentagon
Washington, D.C. 20301

Dear Mr. DeLauer:

On behalf of the members of the Small Business Oversight Subcommittee, I wish to express our appreciation to you for your testimony on June 25th. As I indicated throughout the three days of hearings, the Subcommittee intends to scrutinize DOD's compliance with the requirements of P.L. 95-507, the Maybank-LSA test project and various small business set aside programs throughout the 97th Congress.

Your response to the following questions and requests would assist the members of the Subcommittee in better understanding DOD's performance and intentions regarding P.L. 95-507 and the various set-aside programs:

1. In the course of your testimony, you agreed to supply the subcommittee with a written report on the availability of bid sets to small businesses. Would you also include within your report a review of the availability of samples to small businesses wishing to bid on DOD procurements;

2. Cite each case where DOD has utilized incentives authorized by section 211 of P.L. 95-507. Describe the result achieved and include a copy of any memorandum or report developed in connection with any such incentives;

3. State the percentage of Air Force high dollar spare parts listed as open competitive for the past five fiscal years. Also the dollar volume percentage of Air Force high dollar spare parts which were purchased on an open competitive basis during the past five fiscal years;

4. Submit a revised statement of DOD's P.L. 95-507 (221) performance for fiscal year 1980 after deleting all procurements of $10,000 or less.

5. Your written statement noted that the average dollar amount of DOD prime contracts over $10,000 is $232,000. Please supply the subcommittee with the breakdown of the percentage of prime contracts in an appropriate range of dollar categories;

6. Copies of reports due by July 5, 1981, relating to SBA's report on interim P.L. 95-507 interim non-compliance;

7. Copies of any and all memoranda developed within DOD or in the possession of DOD relating to prime contractor final non-compliance with P.L. 95-507 goals; and

8. Copies of any memoranda or reports developed within the past 18 months by DOD relating to the Certificate of Competency program.

I have also included a series of questions submitted by Representative Addabbo. I would appreciate a response to these inquiries by August 17, 1981.

Sincerely,

John J. LaFalce
Chairman

QUESTIONS FOR RICHARD D. DE LAUER

UNDERSECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING
SUBMITTED BY JOSEPH P. ADDABBO
JUNE 25, 1981

General/Staffing

1. DR. DE LAUER, I WAS PLEASED TO READ ON PAGE 15 OF YOUR TESTIMONY THAT WITHOUT A STRONG SMALL BUSINESS COMMUNITY, "NEITHER A STRONG AND HEALTHY NATIONAL ECONOMY, NOR A STRONG NATIONAL SECURITY POSTURE IS POSSIBLE." THIS COMMITTEE HAS RECEIVED TESTIMONY REGARDING A NUMBER OF PROCUREMENT PRACTICES WHICH ARE A DIRECT IMPEDIMENT TO SMALL BUSINESS PARTICIPATION IN DEFENSE PROCUREMENT. THE RESULT IS THAT THERE HAS BEEN NO APPRECIABLE GROWTH IN THE PERCENTAGE OF DEFENSE DOLLARS GOING TO SMALL BUSINESS. ONE REASON FOR THIS COULD BE THAT THE DEPARTMENT OF DEFENSE HAS TOO FEW PERSONNEL COMMITTED TO SOLVING THE PROCUREMENT PROBLEMS OF SMALL BUSINESSES. DO YOU AGREE?

2. IN A LETTER TO CHAIRMAN PARREN J. MITCHELL, DATED JUNE 8, 1981, ASSISTANT SECRETARY CARLUCCI INDICATED THAT ONLY ONE PROFESSIONAL STAFF PERSON IS RESPONSIBLE FOR SMALL BUSINESS PROGRAMS FOR THE SECRETARY OF THE NAVY. DO YOU VIEW THIS AS ADEQUATE, AND IF NOT, WILL YOU RECOMMEND THAT STAFF BE ADDED?

3. IN LIGHT OF THE BILLIONS OF NEW DOLLARS BEING FUNNELED INTO THE DEPARTMENT OF DEFENSE, DO YOU BELIEVE THAT IT WILL BE NECESSARY TO INCREASE THE NUMBER OF SMALL BUSINESS PERSONNEL?

Subcontracting

4. DR. DE LAUER, ACCORDING TO ENCLOSURE 2 OF YOUR TESTIMONY, IN FISCAL YEAR 1980, DOD SAW A LOWER PERCENTAGE OF SUBCONTRACTING DOLLARS GOING TO SMALL BUSINESS. (42.7 IN FISCAL YEAR 1979, DOWN TO 42.4 IN FISCAL YEAR 1980). HOW CAN YOU EXPLAIN THAT SHORTFALL?

5. ON PAGE 12 OF YOUR TESTIMONY, YOU STATE THAT NOT A SINGLE CONTRACT IS PRESENTLY IN VIOLATION OF THE SUBCONTRACTING REQUIREMENTS OF SECTION 8(d). HOW MANY PRIME CONTRACTS WERE SUBJECT TO SECTION 8(d) IN FISCAL YEAR 1980?

6. CAN YOU HONESTLY BELIEVE THAT OF THAT NUMBER, NOT A SINGLE COMPLETED CONTRACT, NOR A SINGLE CURRENT CONTRACT IS IN NON-COMPLIANCE WITH SECTION 8(d), ESPECIALLY IN LIGHT OF DOD'S SUBCONTRACTING FISCAL YEAR 1980 SHORTFALL?

Prime Contracts

7. AS YOU HAVE STATED, DOD FAILED TO MEET ITS PRIME CONTRACT AWARD GOALS FOR FISCAL YEAR 1981. YOUR ONLY EXPLANATION FOR THIS SHORTFALL IS BASED ON DIFFERENCES BETWEEN DOD AND SBA ON THE GOALING PROCESS. ARE YOU SATISFIED THAT DOD DID EVERYTHING POSSIBLE TO ENCOURAGE GREATER PRIME CONTRACT PARTICIPATION AMONG SMALL BUSINESSES?

Breakout

8. OVER THE YEARS, DOD HAS PROMISED TO REEMPHASIZE THE PROCUREMENT METHOD OF "BREAKOUT", WHEREBY LARGE CONTRACTS ARE DIVIDED INTO A NUMBER OF SMALLER CONTRACTS CAPABLE OF COMPETITIVE BIDDING AMONG SMALL FIRMS. IN SEPTEMBER OF 1978, THE DEPUTY SECRETARY OF DEFENSE ASSURED THIS COMMITTEE OF NEW EFFORTS THAT WOULD BE MADE. HOWEVER, NO IMPROVEMENT WAS FORTHCOMING. IN FEBRUARY, OMB DIRECTOR, DAVID STOCKMAN WAS ASKED WHETHER NEW INITIATIVES WOULD BE INSTITUTED TO EXPAND BREAKOUT, AND HIS ANSWER WAS AN EMPHATIC "YES." AS CHAIRMAN OF THE DEFENSE APPROPRIATIONS COMMITTEE, I HAVE BEEN RECEIVING THE SAME ANSWERS FROM THE VARIOUS ACQUISITION POLICY MAKERS.

ARE YOU ALSO COMMITTED TO EXPANDING BREAKOUT?

WHAT DO YOU SEE AS YOUR ROLE IN THIS INITIATIVE, AND WHAT CAN WE EXPECT IN THE FORM OF REAL RESULTS IN THE NEAR FUTURE?

Certificate of Competency

9. DR. DE LAUER, ONE IMPEDIMENT TO SMALL BUSINESS BEING ABLE TO CONTRIBUTE TO OUR DEFENSE INDUSTRIAL BASE HAS BEEN THE RELUCTANCE OF CONTRACTING OFFICERS TO AGRESSIVELY PURSUE SMALL BUSINESS. THEY FOUND IT EASIER TO LABEL PROCUREMENTS AS "INCAPABLE OF PERFORMANCE BY SMALL FIRMS" SINCE THEY COULD NOT BE FAULTED LATER IF A LARGE FIRM FAILED TO ADEQUATELY PRODUCE THE ITEM. IN RESPONSE TO THIS, CONGRESS ENACTED THE CERTIFICATE OF COMPETENCY PROCEDURE, WHEREBY

THE SMALL BUSINESS ADMINISTRATION WAS GIVEN THE AUTHORITY TO MAKE ALL FINAL DECISIONS ON THE CAPACITY OF SMALL BUSINESSES TO PERFORM FEDERAL CONTRACTS.

ARE YOU COMMITTED TO ENFORCING THIS LAW WITHIN THE DEPARTMENT OF DEFENSE?

10. AS YOU KNOW, WE HAVE RECEIVED COMPELLING TESTIMONY THAT THERE ARE A NUMBER OF PROCUREMENT PRACTICES CURRENTLY UTILIZED TO AVOID THE CERTIFICATE OF COMPETENCY REQUIREMENTS OF THE SMALL BUSINESS ACT, AND THEREBY EXCLUDE SMALL BUSINESS FROM COMPETING FOR DEFENSE CONTRACTS. FOR INSTANCE, SINCE 1969, THE AIR FORCE HAS UTILIZED A REGULATION FOR SPARE PARTS WHICH AUTHORIZES THE ASSIGNMENT OF A "NON-COMPETITIVE" CODE WHICH FORECLOSES SMALL BUSINESS PARTICIPATION. IN MANY CASES, THE DECISION IS MADE BY THE ORIGINAL EQUIPMENT LARGE MANUFACTURER WITH ONLY A PERFUNCTORY APPROVAL BY AIR FORCE STAFF.

HAVE YOU LOOKED INTO THIS MATTER TO DETERMINE HOW MUCH EXTRA MONEY THIS IS COSTING TAXPAYERS, AND HOW THIS CAN BE STOPPED?

11. WHAT IS THE LEGAL BASIS FOR EXEMPTING SPARE PART PURCHASES FROM THE CERTIFICATE OF COMPETENCY REQUIREMENTS OF THE SMALL BUSINESS ACT?

ON JUNE 1, 1981, I WROTE A LETTER TO THE SECRETARY OF THE NAVY REGARDING ANOTHER WAY IN WHICH THE CERTIFICATE OF COMPETENCY IS BEING CIRCUMVENTED. THE NAVY APPEARS TO BE USING MASTER SHIP REPAIR CONTRACTS AND BASIC ORDERING AGREEMTS TO EXCLUDE SMALL BUSINESSES, WITHOUT A DETERMINIATION BY SBA WHETHER OR NOT THE BUSINESS CAN PERFORM CONTRACTS FALLING UNDER THE MASTER CONTRACT OR BASIC ORDERING AGREEMENT

HAVE YOU LOOKED INTO THIS, AND IF NOT, WOULD YOU?

Labor Surplus

DR. DE LAUER, I UNDERSTAND THAT CONTRACTING OFFICERS HAVE BEEN BURDENED WITH A NUMBER OF LABOR SURPLUS REPORTING REQUIREMENTS NOT CONTEMPLATED BY CONGRESS WHEN IT PASSED THE FISCAL YEAR 1981 DEFENSE APPROPRIATIONS ACT. FOR INSTANCE, YOU HAVE GONE TO THE BOTHER OF COMPUTING AN IMAGINARY AMOUNT OF MONEY THAT WOULD HAVE BEEN PAID TO LABOR SURPLUS FIRMS IF AN AWARD WAS MADE TO THE LOWEST SBA BIDDER. IN FACT, THIS FIGURE IS TOTALLY MEANINGLESS SINCE UNDER THE LAW, NO LSA SET-ASIDE IS POSSIBLE IF THE PRICE IS NOT REASONABLE. HOW CAN WE BE SURE THAT THIS EXTRA BURDEN WILL NOT ENSURE FAILURE OF THE LSA PILOT PROGRAM?

THE UNDER SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

RESEARCH AND
ENGINEERING

Honorable John J. LaFalce
Chairman, Subcommittee on
General Oversight
Committee on Small Business
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

The following information is provided in response to the questions you forwarded to me in your letter of July 14, 1981.

1. In the course of your testimony, you agreed to supply the Subcommittee with a written report on the availability of bid sets to small businesses. Would you also include within your report a review of the availability of samples to small businesses wishing to bid on Department of Defense (DoD) procurements:

> A report of the availability of bid sets and samples to small businesses wishing to bid on procurements is attached at Enclosure 1. The report I promised at my hearing before your Committee on June 25 regarding specifications is at Enclosure 2.

2. Cite each case where DoD has utilized incentives authorized by Section 211 of P.L. 95-507. Describe the result achieved and include a copy of any memorandum or report developed in connection with any such incentives:

a. Army

The Army has applied incentives as contemplated by DAR 1-707.3(e) in 44 contracts in the last fiscal year. In none of these cases has there been sufficient time to assess the result of such incentives.

b. Air Force

The Air Force has included incentive provisions in 58 contracts. Performance has been completed on four of the contracts though results of small and disadvantaged business utilization performance have not been determined yet on two of the four. Results of the two completed contracts are as follows:

$ Value of Contract - $22,309,976
$ Planned to be Subcontracted - $2,800,000 Actual - $3,078,869
Small Business Subcontracting Goal - $1,988,000 (71%) Actual - $2,499,941 (81.2%)
Small Disadvantaged Business Subcontracting Goal - $156,800 (5.6%) Actual - $688,895 (22.4%)
Result: The prime contractor did not request payment under the incentive clause as the results were achieved without any extraordinary effort.

$ Value of the Contract - $5,728,000
$ Planned to be Subcontracted - $1,602,819 Actual - $1,630,000
Small Business Subcontracting Goal - $191,446 (12%) Actual - $230,739 (14%)
Small Disadvantaged Business Subcontract Goal $ 0 Actual - $1,212 (.07%)
Result: The contractor's performance in meeting small and small disadvantaged business goals is an element considered in one of the four categories (technical, cost, schedule, management) evaluated in determining the award fee to be paid for contract performance. In order for the contractor to earn the total available fee, the Award Fee Board must assign the highest rating possible for each of the four categories. In this case, the contractor's performance in exceeding his small and small disadvantaged goals resulted in assigning maximum weight for this element of the management category.

c. Navy

In view of the time limitations imposed, a cursory review was made with major contracting activities and two cases have been identified wherein incentives have been utilized. The Naval Air Systems Command established a $100,000 incentive under their FY 1981 E-2C Contract N00019-79-C-0460. Its effectiveness is currently being evaluated. The other case involves a five percent (5%) incentive provision under the Naval Electronic Systems Command Contract N00039-80-C-0026 for development of an AN/SPN-XX Landing Control Central. Sufficient contractor performance has not yet been completed to permit a meaningful evaluation of this provision.

d. Defense Logistics Agency

One Defense Logistics Agency (DLA) contract to date has included an Incentive Subcontracting Program for Small Business and Small Disadvantaged Business concerns. The contract, DLA 400-80-C-2568, valued at $983,478.84, was awarded July 14, 1980 by Defense General Supply Center to Uniroyal, Inc., Mishawaka, Indiana, for 462 each 500 gallon collapsible fabric liquid fuel drums. Performance is not complete to date and results of the incentive provision are not available.

3. State the percentage of Air Force high dollar spare parts listed as open competitive for the past five fiscal years. Also state the dollar volume percentage of Air Force high dollar spare parts which were purchased on an open competitive basis during the past five fiscal years:

To the extent available, Air Force statistics on spare parts coded for open competition are as follows:

	FY 77	FY 78	FY 79	FY 80	FY 81 (1st half)
ITEMS CODED FOR COMPETITIVE PURCHASE(1)	39.7%(2)	25.5%	24.7%	24.3%	24.5%
ITEMS CODED OPEN COMPETITION(1)	28.5%(2)	18.2%	17.2%	16.6%	16.6%
SPARE PARTS DOLLARS EXPENDED COMPETITIVELY(3)	23.7%	20.3%	19.6%	22.3%	24.1%

(1) The percentage of total items that have been screened for breakout, since the beginning of the breakout program as of the end of the year shown.

(2) While an erosion in competitive item percentages is evident between FY 77 and later years, consideration must be given to competitive dollar expenditures as well. It would appear that many competitively coded items were not being purchased in FY 77. The situation evidenced is highly indicative of the dynamics of the Breakout Program, and the judgment selectively required for meaningful and productive screening.

(3) This is the percentage of total expenditures for replenishment spare parts purchased competitively. There are no statistics maintained on dollars expended on an "open" competitive basis. For DoD reporting purposes, a purchase either is or is not competitive.

4. Submit a revised statement of DoD's P.L. 95-507 (221) performance for Fiscal Year 1980 after deleting all procurements of $10,000 or less.

Total Awards	SB Awards	Percentage
$60,992.6 (million)	$10,632.4 (million)	17.4

5. Your written statement noted that the average dollar amount of DoD prime contracts over $10,000 is $232,000. Please supply the subcommittee with the breakdown of the percentage of prime contracts in an appropriate range of dollar categories:

	Range	Number	Amount
Total		289,774	$ 67,341 (million)
$	10,000 - 24,999	122,853	1,791
	25,000 - 49,999	65,271	2,101
	50,000 - 99,999	46,836	3,061
	100,000 - 199,999	22,438	2,858
	200,000 - 299,999	7,421	2,095
	300,000 - 499,999	8,134	2,876
	500,000 - 999,999	6,770	4,311
	1,000,000 - 1,999,999	3,572	4,465
	2,000,000 - 4,999,999	2,593	7,353
	5,000,000 - 9,999,999	915	5,917
	12,000,000 or more	971	30,513
	Average size (Dollars)	$	232,390

6. Copies of reports due by July 5, 1981, relating to SBA's report on interim P.L. 95-507 non-compliance:

Copies enclosed as Enclosures 3 - 6.

7. Copies of any and all memoranda developed within DoD or in the possession of DoD relating to prime contractor final non-compliance with P.L. 95-507 goals; and

There have been no reports by any of the Military Departments or the Defense Logistics Agency of any prime contractor being final non-compliance with P.L. 95-507 goals.

8. Copies of any memoranda or reports developed within the past 18 months by DoD relating to the Certificate of Competency program.

Copies enclosed as Enclosure 7.

QUESTIONS FOR RICHARD D. DE LAUER
UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING
SUBMITTED BY JOSEPH P. ADDABBO
JUNE 25, 1981

General/Staffing

1. Dr. DeLauer, I was pleased to read on page 15 of your Testimony that without a strong small business community, "Neither a strong and healthy national economy, nor a strong national security posture is possible". This Committee has received testimony regarding a number of procurement practices which are a direct impediment to small business participation in Defense procurement. The result is that there has been no appreciable growth in the percentage of Defense dollars going to small business. One reason for this could be that the DoD has too few personnel committed to solving the procurement problems of small businesses. Do you agree?

I understand your concern in view of the increase in the DoD procurement budget and the significant increase in the size, scope and complexity of small business, small disadvantaged business utilization, and labor surplus area programs. The Deputy Secretary of Defense requested the Secretaries of the Military Departments and the Director of the Defense Logistics Agency to "ensure that all Small and Disadvantaged Business Utilization Offices are staffed with the required number and grades of personnel to achieve the objectives established by statute and regulation". See Enclosure 8. In this regard, we are following up with the Departments and DLA to assure that action has been taken to properly staff these offices with the necessary number of individuals at the proper grade levels which will result in DoD being able to increase the percentage of its awards in places with small business, small disadvantaged business and labor surplus area firms.

2. In a letter to Chairman Parren J. Mitchell, dated June 8, 1981, Deputy Secretary Carlucci indicated that only one professional staff person is responsible for small business programs for the Secretary of the Navy. Do you view this as adequate, and if not, will you recommend that staff be added?

No, I do not view the Navy Director's Office of Small and Disadvantaged Business Utilization as being properly staffed as to numbers and grades of personnel. In this regard, the Navy is conducting a comprehensive review of the staffing of its small and disadvantaged business utilization offices at all levels to determine the additional staffing required to carry out the Deputy Secretary of Defense's memorandum pertaining to these offices.

3. In light of the billions of new dollars being funneled into the DoD, do you believe that it will be necessary to increase the number of small business personnel?

Yes, I believe more people, particularly trained and knowledgeable small business personnel, will be required. As noted above, the Deputy Secretary of Defense has directed that such additional staffing be accomplished.

4. Dr. DeLauer, according to Enclosure 2 of your Testimony, in Fiscal Year 1980, DoD saw a lower percentage of subcontracting dollars going to small business. (42.7% in Fiscal Year 1979, down to 42.4% in Fiscal Year 1980). How can you explain that shortfall?

It is difficult to determine the precise reason for this shortfall of three tenths of one percent. One possible reason may have been that in FY 1980 we spent a larger percentage of our prime contract dollars for those types of major weapons systems and other major hard goods which produced less opportunity for our major contractors to subcontract with small firms. You may be assured that we will follow this area very closely as we are most concerned to improve the percentage of our subcontract awards that are placed with small business and small disadvantaged business firms.

5. On page 12 of your testimony, you state that not a single contract is presently in violation of the subcontracting requirements of Section 8(d). How many prime contracts were subject to Section 8(d) in Fiscal Year 1980?

a. Army

There were approximately 1,331 prime contracts awarded in FY 1980 which fall within the criteria in DAR 1-707.3(b) and (c). All such contracts comply with the requirements stated therein. There have been approximately 30 cases of orders under existing contracts which were written prior to the effective date of Public Law 95-507 and/or the requirement in the Defense Acquisition Regulation.

b. Navy

The requested information for Fiscal Year 1980 is not readily available since the DoD statistical reporting system did not include information on subcontracting plan clauses until Fiscal Year 1981. For Fiscal Year 1981 through June, the Navy had 1,898 prime contracts which were subject to Public Law 95-507.

c. Air Force

There were approximately 1,410 prime contracts entered into by the Air Force in FY 1980 which required subcontracting plans in accordance with P.L. 95-507.

d. Defense Logistics Agency

DLA's compilation of DD Forms 350, Individual Procurement Action Report, shows in FY 1980 DLA awarded 530 contracts over $500,000 to domestic large business concerns. The forms used in Fiscal Year 1980 did not include an element for capturing the requested data. This was remedied by the October 1980 provision to the DD 350 and this statistic will be available for Fiscal Year 1981 except for contracts which are under $500,000 but include an option clause that makes the potential total contract value over $500,000. We have no way to extract from the FY 1980 contracts the number that were exempt from the requirement for a subcontracting plan because a determination was made that there were no subcontracting possibilities.

6. Can you honestly believe that of that number, not a single completed contract, nor a single current contract is in non-compliance with Section 8(d), especially in light of DoD's subcontracting Fiscal Year 1980 shortfall?

a. Army

See 5 above.

b. Navy

Various ongoing reviews are made of contractual actions to insure compliance with Section 8(d) of P.L. 95-507 by both SBA and cognizant Navy officials. Navy SADBU specialists and contracting officers review the offerors' subcontracting plans, and higher level reviews address this subject as part of a pre-award business clearance requirement. Periodic Contract Management Reviews (CMR) conducted by headquarters staff also evaluate these review processes at the contracting activities. These reviews are designed to detect any non-compliance. At present there are no known Navy contracts which are in non-compliance with Section 8(d) of P.L. 95-507.

c. Air Force

Because of the problems encountered in achieving FY 1980 compliance with the provisions of Section 8(d), Air Force management attention and emphasis has been aggressively applied. Except for the remote possibility that an isolated instance may exist, we are confident that the Air Force is in full compliance with Section 8(d); a survey of all field contracting activities did not reveal any case of non-compliance.

d. Defense Logistics Agency

DLA has no knowledge of any current or completed DLA prime contracts that are in non-compliance with Section 8(d) of P.L. 95-507.

Prime Contracts

7. As you have stated, DoD failed to meet its prime contract award goals for Fiscal Year 1981. Your only explanation for this shortfall is based on differences between DoD and SBA on the goaling process. Are you satisfied that DoD did everything possible to encourage greater prime contract participation among small businesses?

No, we are never satisfied that we have done "everything possible to encourage greater prime contract participation among small businesses". We do believe with our implementation of P.L. 95-507 in the Defense Acquisition Regulation that we have established policies and procedures which should result in a greater share of our prime contract awards going to small business. Some specific examples of these improved policies are: (1) we have quantified the sufficiency of competition required for a small business set-aside as "a reasonable expectation that offers will be received from at least two small business firms (this applies regardless of the value of the procurement requirements (heretofore, the DAR used the term "from a sufficient number")); (2) we have established a policy of automatic repetitive small business set-aside (this means that once we buy a product or service successfully on a small business set-aside that is the only way we will procure that item in the future without further screening as to the method of procurement); (3) the threshold for automatically setting aside construction requirements for small business was raised from $1 million to $2 million dollars. We have also added 11 specific duties to the responsibilities of the approximate 700 Small and Disadvantaged Business Utilization Specialists we have throughout the DoD. Now that we have these policies firmly established, we intend to aggressively pursue their proper implementation at all levels.

Breakout

8. Over the years, DoD has promised to reemphasize the procurement method of "Breakout", whereby large contracts are divided into a number of smaller contracts capable of competitive bidding among small firms. In September of 1978, the Deputy Secretary of Defense assured this committee of new efforts that would be made. However, no improvement was forthcoming. In February, OMB Director, David Stockman was asked whether new initiatives would be instituted to expand breakout, and his answer was an emphatic "Yes". As Chairman of the Defense Appropriations Committee, I have been receiving the same answers from the various acquisition policy makers.

Are you also committed to expanding breakout?
What do you see as your role in this initiative, and what can we expect in the form of real results in the near future?

Component Breakout

Component breakout involves a decision on whether or not components of an end item should be purchased by the Government directly and furnished to the end-item contractor as Government-furnished material for incorporation in the end item. Whenever it is anticipated that a prime contract for a major end item will be awarded without adequate price competition and the prime contractor is expected to acquire a component without such competition, it is DoD policy to break out that component if: (a) substantial net cost savings will probably be achieved, and (b) such action will not jeopardize the quality, reliability, performance, or timely delivery of the end item.

DoD Instruction 5000.2 issued in March 1980 establishing policy guidance on major system acquisition procedures provides in the submission of the contracting plan, among other matters, "plans for competitive breakout of components by both the government and the contractors".

Spare Parts Breakout

DoD has an active program to break out replenishment spare parts requirements from major end item producers. The program is implemented by DoD Instructions 4150.60 and a Joint Service Regulation. The purpose is to break out spare parts for competitive procurement or, if that is not possible, to break out for direct purchase from the actual manufacturer.

In October 1978, DoD components were directed to give this program increased attention. We have devoted significant effort to improving our guidance with valuable comments from the Small Business Administration. The process of coordination and the selection of the most suitable vehicle for publication of revised guidance is currently ongoing. We will issue this guidance as expeditiously as possible.

As the DoD Acquisition Executive, I am personally responsible and committed to assuring the accomplishment of 32 initiatives directed by the Deputy Secretary of Defense in his memorandum of July 27, 1981 on "Improving the Acquisition Process". One of these initiatives is "Increase of Competition in the Acquisition Process" which will involve our breakout program. Specifically, my role in this initiative is to assure that we improve the effectiveness of the overall DoD breakout program as it is accomplished by the Military Departments and the DLA. I believe this increased emphasis will result in an appreciable improvement in the number of items we break out within the next 12 to 18 months.

Certificate of Competency

9. Dr. DeLauer, one impediment to small business being able to contribute to our Defense industrial base has been the reluctance of contracting officers to aggressively pursue small business. They found it easier to label procurements as "incapable of performance by small firms" since they could not be faulted later if a large firm failed to adequately produce the item. In response to this, Congress enacted the Certificate of Competency procedure, whereby the SBA was given the authority to make all final decisions on the capacity of small businesses to perform Federal contracts.

Are you committed to enforcing this law within the DoD?

> There is no question that DoD is committed to enforcing the Certificate of Competency (CoC) procedure. In 1980, 1,580 cases were referred to the SBA for CoC action. SBA overruled the contracting officer's decision in only 346 cases (23 percent). However, the procedure does extend procurement lead time and does incur additional administrative expense.

10. As you know, we have received compelling testimony that there are a number of procurement practices currently utilized to avoid the CoC requirements of the Small Business Act, and thereby exclude small business from competing for Defense contracts. For instance, since 1969, the Air Force has utilized a regulation for spare parts which authorizes the assignment of a "non-competitive" code which forecloses small business participation. In many cases, the decision is made by the original equipment large manufacturer with only a perfunctory approval by Air Force staff.

Have you looked into this matter to determine how much extra money this is costing taxpayers, and how this can be stopped?

DoD activities engaged in contracting have an obligation to obtain quality products in a timely manner at fair and reasonable prices. We firmly believe that they are carrying out this obligation in a judicious manner. With reference to the Joint Service Regulation implementing the high dollar spare parts breakout program, a restrictive coding by a contractor is advisory. The Joint Service Regulation specifically states that the "Procurement methods will always be decided by DoD activities. . .".

I share your concern that small business firms may be foreclosed from competition for some of our product and service requirements particularly at the present time when we are seeking to expand our mobilization production base. I also recognize that an effective industrial base to meet our needs is not possible without a viable small business community. Accordingly, in developing our new breakout procedures we will examine very closely the conditions under which our Military Departments and DLA will be permitted to use non-competitive codes.

11. What is the legal basis for exempting spare part purchases from the CoC requirements of the Small Business Act?

On June 1, 1981, I wrote a letter to the Secretary of the Navy regarding another way in which the CoC is being circumvented. The Navy appears to be using master ship repair contracts and basic ordering agreements to exclude small businesses, without a determination by SBA whether or not the business can perform contracts falling under the master contract or basic ordering agreement.

Have you looked into this, and if not, would you?

The Secretary of the Navy responded to your letter on July 13, 1981, advising that it would be inappropriate to respond in detail in view of pending protests before the General Accounting Office which address these issues. As of August 3, 1981, said protests are being held in abeyance pending an anticipated settlement between the protestor and the contracting activity. If a

> settlement is reached, the protests are expected to be withdrawn. Nevertheless, I have been assured that the Navy is not intending to prevent the SBA from determining questions of responsibility for small businesses, nor has the Navy adopted a policy of excluding firms from competing for work that they are qualified to perform.

Labor Surplus

Dr. DeLauer, I understand that contracting officers have been burdened with a number of labor surplus reporting requirements not contemplated by Congress when it passed the Fiscal Year 1981 Defense Appropriations Act. For instance, you have gone to the bother of computing an imaginary amount of money that would have been paid to labor surplus firms if an award was made to the lowest SBA bidder. In fact, this figure is totally meaningless since under the law, no LSA set-aside is possible if the price is not reasonable. How can we be sure that this extra burden will not ensure failure of the LSA pilot program?

> The collection of this information presents an almost imperceptible increase in reporting as such information is part of the standard reporting system at the contracting office level. You may be assured that the collection of such data "will not ensure failure of the LSA pilot program".

We appreciate Congressman Addabbo's and your interest in and support of our small business, small disadvantaged business, and labor surplus area programs.

Sincerely,

Report on the Availability of Bid Sets

Our policy on furnishing bid sets, i.e., invitations for bids and requests for proposals, is set forth in the Defense Acquisition Regulation 1-1002.1. Any small business concern upon request will be provided a copy of any bid set. This policy has been implemented throughout the Department of Defense.

Over 50 Defense contracting activities were canvassed to determine the extent the policy on furnishing bid sets to small business firms is being followed. All activities reported that they make every effort to comply with all small business requests. If initial supplies of bid sets are exhausted, additional copies are reproduced. There have been incidents in the past year in which requests from small business firms for bid sets received within a few days of the due date of bids or proposals could not be satisfied. Actions taken by contracting activities to eliminate these occurrences include such things as increasing the initial quantity of solicitation documents, the installation of additional typewriters and special reproduction equipment, overtime, and the hiring of additional people.

We recognize that P.L. 95-507 requires that bid sets be furnished to any requesting small business firm, regardless of the situation or the timing; and we abide by this requirement. However, strict adherence to this statutory provision is expensive with respect to administrative costs and serves no useful purpose, particularly when the request is received so close to the bid opening date as to provide insufficient time for bid preparation. We, therefore, suggest that this statutory provision be cancelled or revised to provide for the preparation, maintenance, and distribution of a "reasonable number" of copies of invitations for bids and requests for proposals. We would utilize the same guidelines for "reasonable number" as we do now for distribution to other than small business firms. In determining the "reasonable number" of copies to be maintained, the contracting officer considers, among other things, the extent of initial solicitation, reproduction costs, the nature of the acquisition, whether access to classified matters is involved, the anticipated requests for copies based upon responses to synopses in the Commerce Business Daily and other means of publication in previous similar situations, and the fact that publishers and others who disseminate information regarding proposed acquisitions normally do not require voluminous specifications or drawings. When the reasonable number of copies has been exhausted, requests from other than small business firms are not honored. This limitation would also apply to small business under our proposal. These guidelines provide ample copies of bid sets to ensure adequate competition without generating undue Government expense and effort.

Regarding the availability of samples to small business firms, practices vary. The Defense Logistics Agency, which chiefly buys standard, commonly used items attractive to small business, has authorized its field activities to sell, give, or lend samples to contractors and prospective suppliers whenever they determine that such action is necessary in the interest of national defense. Further, these field activities have display areas so that prospective suppliers can view many of the items managed. For example, the Defense General Supply Center at Richmond, Virginia, has 15,000 items on display, with a full-time employee available to furnish assistance. Items selected for display are generally sole-source items for which competition is solicited. Items not on display are obtained from storage, if available.

The Military Departments, on the other hand, who purchase more non-standard items, furnish samples only under special circumstances. The Army reports that the practice of making available samples of items being procured to prospective small business bidders is not widespread. Of the Army's 24 major contracting activities, two commands reported it as a common practice when there is no other way to describe the item. Thirteen commands resort to this practice rarely; the remaining nine commands, not at all.

The Navy notes that, when feasible, samples are made available for use in bid preparation and contract performance. For example, a hardware sample may be provided at a bidders' conference or other specified location prior to the proposal due date, or after award for use as a guide or some reverse engineering is required. Generally, the use of samples within the Air Force is restricted to "no alternative" type situations, e.g., no bids and incomplete data.

It is noted that the furnishing of samples is expensive--in most cases, more expensive than furnishing bid sets. Any mandate to require the furnishing of samples would require additional appropriations and additional stock purchases. The present practice of furnishing samples only when needed is more cost effective and practical.

DEPARTMENT OF DEFENSE
SINGLE STOCK POINT
(DOD-SSP)
for
SPECIFICATIONS AND STANDARDS

A GUIDE FOR PRIVATE INDUSTRY

NAVAL PUBLICATIONS AND FORMS CENTER
5801 TABOR AVENUE
PHILADELPHIA, PA. 19120

☆U.S. GOVERNMENT PRINTING OFFICE: 1981—703-100/6418 2-1

1 DOD-SSP HIGHLIGHTS

Maximum Service to Private Industry

This folder is a brief outline of the Specifications and Standards Program and is offered to private industry as an aid to facilitate obtaining specifications and standards required to do business with the Department of Defense. The folder has four main sections with headings at the top of each which allow easy location of specific topics. These are: (1) DOD-SSP Highlights, (2) How to order specifica-tions and standards, (3) Subscription service (automatic distribution)/Redistribution and (4) DODISS/Special inquiry desk.

The Naval Publications and Forms Center (NPFC), Philadelphia, is the Department of Defense Single Stock Point (DOD-SSP) and Distribution Center for unclassified specifications and standards utilized throughout the Department of Defense for military procurement.

Responsibility

The DOD-SSP has the following responsibility: index, determine requirements, procure, receive, distribute, warehouse, issue, and control those CURRENT specifications and standards listed in the Department of Defense Index of Specifications and Standards (DODISS) (see section 4).

Types of Documents Stocked and Distributed

Military Specifications
Military Standards
Federal Specifications
Federal Standards
Qualified Products Lists
Industry Documents
Military Handbooks
Air Force-Navy Aeronautical Standards
Air Force-Navy Aeronautical Design Standards
U.S. Air Force Specifications
Other Departmental Documents
Air Force-Navy Aeronautical Bulletins
U.S. Air Force Specification Bulletins

Customers

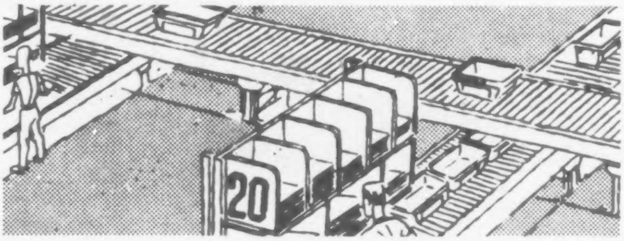
All military services
Federal, state and municipal agencies
Foreign governments
Industrial and commercial firms, both national and foreign
The public

Business Statistics

71,000 line items stocked
30 new items received daily
10,000 line items issued daily
2,500 requests processed daily

Modern Processing Methods

To expedite deliveries of material to our customers, a mechanized material warehousing and packing system is utilized by NPFC Philadelphia. Approximately 9,200 feet of mechanized conveyor is monitored from an electronic console by a programmer. Through this console the programmer regulates an even flow of work to and from all operating areas. The material from the packing lines is bagged and forwarded to the U.S. Post Office.



Cost

Specifications and standards are issued to private industry on an "as ordered basis" without charge.

NPFC is most anxious to provide maximum service to private industry, and every effort is being expended to satisfy each and every customer.

Comments and suggestions from private industry are welcomed.

2 HOW TO ORDER SPECIFICATIONS AND STANDARDS

A request can be initiated by telephone, telegraph, mail in any form, or bearer. However, it is preferred that private industry use a simplified order form, DD Form 1425, which includes a self-addressed label. Once a customer orders specifications and standards, he will automatically be provided sufficient blank forms to continually reorder in the preferred manner. All types of requests should be submitted in the following manner:

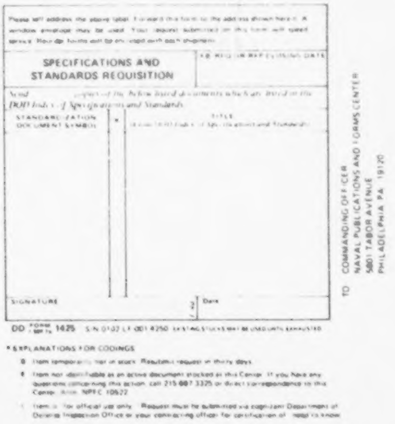
1. Indicate complete mailing address (including zip code) and invitation-for-bid or contract number, where applicable.

2. Indicate quantity of each document desired. Maximum issue: ten each (no exception). See note at end of section 3.

3. List each desired specification or standard by document symbol as recorded in the DODISS.

4. List Federal Specifications in alphabetical order. List all others in numerical order. The following sequence of categories of material is preferred: Military Specifications, Military Standards, Federal Specifications & Standards, QPL's, etc.

5. Limit the number of line items ordered on each DD 1425 to five or less, include your address on self-addressed label.



SPECIFICATIONS AND
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Date

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DD FORM 1425

EXPLANATIONS FOR CODINGS

Telephone Requests

Telephone requests should be utilized for urgent action only. If feasible, TELEX and Western Union messages are recommended in lieu of telephonic requests. Use TELEX Number 834295 or Western Union Number 710-670-1685.

NPFC only has the facilities to receive TELEX or Western Union messages; it cannot answer queries by TELEX or Western Union messages. Therefore, customers using TELEX or Western Union messages concerning ordering procedures, availability, etc., should include a full address and telephone number, thus insuring an answer from NPFC by correspondence or telephone.

NPFC does not maintain files of TELEX or Western Union messages, so cross references to former messages cannot be checked. Customers should resubmit the original message fully when following up on a previous message.

To submit a request by telephone, call AREA CODE 215, 697-3321. Duty Hours: 8 a.m. to 4:30 p.m. — Monday thru Friday (Philadelphia time). Off Duty telephone requests are serviced by automatic answering device seven days a week.

Customer requests are generally filled within 5 working days provided the material is on the shelf. This does not include transit or delivery time.

Helpful Hints

- Requests will not be backordered. Requesters will be notified to resubmit at a later date.
- All amendments and revisions will be automatically issued with the basic specifications, unless specified otherwise by the requester.
- Only end item specifications will be furnished. Referenced documents must be requested by individual document number.
- Slash sheets, such as MIL-E-1/306B, must be individually requested by document number. Slash sheets will not be issued as a set.
- Industry standards are ordered from the preparing technical societies not NPFC Philadelphia.
- NPFC Philadelphia stocks only current specifications and standards listed in the DODISS.
- Superseded or canceled specifications are not stocked at NPFC. These specifications must be processed through the procurement or contracting officer of the military activity having an interest in the document.
- Do not submit requests listing National stock numbers only. NPFC cannot cross-reference National stock numbers to applicable specification numbers.
- NPFC Philadelphia does not maintain a file of Invitations For Bid, Requests For Quotes, contracts, etc., so each individual document must be listed by document number when requested from NPFC.
- When submitting multiple requests, place full mailing address on each request.
- NPFC issues only printed documents.
- If handscribed requests are to be submitted, please use black or dark blue ink only.

3 SUBSCRIPTION SERVICE (AUTOMATIC DISTRIBUTION)

In order to provide maximum responsiveness to private industry, new and/or revised releases of those Military and Federal Specifications and Standards (including Qualified Products Lists) which are to be listed in the DODISS are available on a subscription basis with automatic mailing upon payment of fees. This fee entitles the subscriber to receive, for a one-year period, one copy each of all new or revised documents printed after the effective subscription date. (Documents issued prior to the subscription date must be ordered individually.)

Subscriptions will be accepted on a Federal Supply Class basis for a single class or for as many individual classes as the subscriber chooses. Available classes are listed according to subject (example: under Group 47, the title of FSC 4710 is "Pipe and Tube") in the *Cataloging Handbook H2-1*. Copies of this publication can be obtained at no charge from:

Director, Navy Publications and
Printing Service Detachment Office
700 Robbins Avenue, Philadelphia, Pa. 19111

The Procedure

The procedure for submitting a subscription request is as follows:

a. Address your request, in letter form, to the Director, Navy Publications and Printing Service Office at the address shown above, not NPFC.

b. List the desired Federal Supply Classes.

c. Enclose a check or money order payable to NPPSDO, for $10.00 for each Federal Supply Class.

Subscription to this service does not relieve contractors of the responsibility for application of specifications of appropriate date in complying with military contracts.

Documents will be distributed in printed form only.

Specifications and Standards are distributed automatically to customers within 10 days of receipt at NPFC.

NOTE: Firms desiring to reproduce and redistribute unclassified and unrestricted specifications and standards documents in any form at a fee or for internal use may do so without reference to the Navy Department or any other element of the Department of Defense since the documents are in the public domain.

4 DODISS/ SPECIAL INQUIRY DESK

The Department of Defense Index of Specifications and Standards (DODISS) is a reference publication made available to private industry in microfiche or printed book format. The DODISS is a three-part listing of the following unclassified documents:

Military Specifications and Military Standards
Federal Specifications and Federal Standards
Military Handbooks
Qualified Products Lists and Industry Documents
Air Force-Navy Aeronautical Standards, and Aeronautical Design Standards
U.S. Air Force Specifications and Specification Bulletins
Air Force-Navy Aeronautical Bulletins
Cancellation lists and other departmental documents

The three parts are the "Alphabetic" listing (Part I), the "Numeric" listing (Part II), and the "Federal Supply Classification" listing (Part III).

Microfiche Edition

The microfiche edition is imaged on 105mm film at a 48X reduction ratio. This allows each microfiche set to contain 270 pages. Users of the microfiche should insure that their microfiche readers are capable of 48X magnification.

The microfiche version of the DODISS contains three sections: alphabetic, numeric, and federal supply class listings. The numeric section contains all canceled items in their respective sequences. Canceled items are flagged and footnoted. The numeric section reflects both parts "A" and "B" in the existing printed version.

The microfiche DODISS is produced in its entirety bimonthly to coincide with the current updating schedule. It is automatically distributed to those addressees requesting microfiche copy. The microfiche version of the DODISS is not stocked because of the frequent update schedule.

Automatic mailing of the microfiche DODISS will be made available to private industry on a subscription basis. Requests for such subscriptions should be accompanied by a check or money order in the amount of $15.00, payable to NPPSDO, and addressed to the Director, Navy Publications and Printing Service Detachment Office, 700 Robbins Avenue, Philadelphia, PA 19111. The subscriber will receive a complete updated DODISS on microfiche every two months. Subscriptions cover a period of one year.

Printed Edition

Printed editions of DODISS Alphabetic and Numeric listings, Parts I and II, and of DODISS Federal Supply Classification listing, Part III, may be obtained from the Superintendent of Documents, Government Printing Office, Washington, DC 20402. The subscription rate for DODISS Parts I and II is $40.00 per year ($10.00 additional for foreign mailing). The subscription rate for DODISS, Part III, is $20.00 per year ($5.00 additional for foreign mailing). Each subscription includes both the basic index (published annually) and the cumulative bi-monthly supplements for those parts under subscription. Subscription to the printed editions of the DODISS is available to private industry on a yearly subscription basis from the Superintendent of Documents, Government Printing Office, Washington, DC 20402.

The triennial canceled document appendix for Part II, numeric listing, dated 1 July 1978, is available as a single sales time at $4.55 per copy (63 cents additional for foreign mailing).

DODISS Notice

NPFC publishes and distributes a weekly publication, the *DODISS Notice*, containing advance information, about selected new and revised military and Federal standardization documents. NPFC distributes one *DODISS Notice* to an address regardless of the number of different Area Assignment/FSC's subscribed to. Although additional copies are not available, reproduction by the subscriber is authorized.

Special Inquiry Desk

To insure the utmost in service and guidance to private industry, NPFC has established a special inquiry desk, specifically to resolve any problems regarding the specifications and standards program.

This desk does not accept customer orders. See section 2.

To submit a complaint or to make an inquiry by telephone, call Area Code 215, 697-2179.

To submit a complaint or to make an inquiry by correspondence, write to:

Naval Publications and Forms Center (NPFC43)
5801 Tabor Avenue
Philadelphia, PA 19120

10 September 1981

REPORT ON AVAILABILITY AND DELIVERY OF MILITARY SPECIFICATIONS AND STANDARDS

FOR THE HOUSE SMALL BUSINESS COMMITTEE

As agreed during Department of Defense (DOD) testimony before the House Small Business Committee on June 25, 1981, the following report is submitted to provide background data and outline initiatives to correct deficiencies in the availability and delivery of Military Specifications and Standards to small business concerns.

As background information, it should be noted that as early as 1977 OSD and the Naval Supply Systems Command recognized existing and potential difficulties in reproducing and providing stocked copies of preprinted information to both DOD operational units and the private sector. An independent baseline study of items stocked and distributed from the Naval Publications and Forms Center (NPFC) was conducted over an 18 month period from October of 1978 through March of 1980. Particular emphasis was placed on those items designated as "warehouse controlled," which included Military Specifications and Standards, and statistical profiles were drawn from accumulated data. An analysis of procedures, orders, order and stocking quantities and customer profiles identified the following basic parameters of operation (quoted from the study):

- o "Almost 80 percent of the orders received by NPFC came from Corporations/Private Organizations ..."
- o "Of all the orders placed by Corporations, 40 percent of the requested line items were Military Specifications followed by 36 percent for Military Standards."
- o "Average number of line items and quantities per order for all document categories combined amounted to 5.5 and 13.9, respectively," (This would equate to roughly 2.5 copies of each line item requested).
- o Each "copy" of a Military Specification has an average of 15.6 pages.
- o On the average "Military Standards have the highest page per document count of 29.3."
- o NPFC processes approximately 1200 orders per day.

In addition to quantifying the scope and size of the Specifications and Standards program at NPFC, the contractor proceeded to survey a balanced sample of large and small corporate customers since they accounted for approximately 80 percent of orders. Sixty seven organizations were surveyed with general responses indicating the following:

- o "The majority of respondents indicated that orders were completed and returned within three weeks, the remaining balance were received within 4 to 5 weeks with a small proportion received after 6 weeks."

- "Of the orders processed, respondents indicated that the orders were completely filled approximately 75 percent of the time. Orders partially filled were due primarily to Out-of-Stock ... or Non-Stocked material."

- "Service assessment indicated that approximately 50 percent were satisfied most of the time, and 30.0 percent considered the service as fair." The balance assessed the service as unsatisfactory.

- "The primary reason for ordering documents was indicated to be for specific contract or project use ..."

The relatively low level of overall customer satisfaction, coupled with the significant variance between processing time (2-10 days) and deliveries to customers (3-6 weeks) resulted in a follow-on contract to further analyze baseline data and alternative concepts of operation. Specific objectives of the contract were to determine the feasibility of automating some, or all, of the replenishment printing, stocking and distribution functions associated with warehouse controlled items at NPFC, toward eliminating labor intensive aspects and increasing responsiveness to customers.

The final contractor report, presented to the government on March 2, 1981, supported the feasibility of a print-on-demand concept for Military Specifications and Standards and provided strong economic rationale for pursuing a more automated and integrated approach to the printing, stocking and distribution of information. By automating the existing manual functions of order entry, production scheduling, document storage and retrieval, as well as replenishment printing and catalog maintenance, significant annual economies of operation were identified and improved responsiveness projected.

It is understood, however, that merely "fine tuning" and automating an existing system cannot be expected to result in the degree of overall improvement desired. A major portion of delivery time must naturally be associated with the United States Postal Service and internal corporate mail handling procedures. While these aspects are, to a great degree, beyond the span of control of the DOD, a near term initiative to alleviate some of the delays in mail processing and delivery is being considered at this time. The Military Postal Service Agency is being requested to exempt this class of documentation from regulations which require the use of low cost but commensurately slower third or fourth class mail based on weight. By excluding Military Specifications and Standards from these restrictions, all requested items could be mailed to the private sector via first class mail. The improvements this action could be expected to realize are being analyzed as well as potential increases in overall costs to DOD; however, due to the nature of the material and the importance of its timely receipt, no strong objections are anticipated.

Another postal-related initiative involves the offering of "Express Mail" type service on a reimbursable basis when contract deadlines warrant such action on the part of the requesting company or corporation. Specific funding and accounting procedures and alternatives are being explored and potential customer acceptance analyzed prior to the establishment of such a service.

In those areas where DoD can impact the timeliness and completeness of material received by the private sector, you can be assured of DoD and Navy support and expeditious implementation of cost effectiveness and responsive systems. If fully funded by the Navy, the demand printing concept referred to earlier would be in implementation in the Fiscal Year 1983 and fully operational by 1984. Based on the success of this centralized application, the Navy hopes to expand the concept to provide more localized distribution of government documents via digital transmission to local offices vice the DoD Single Stock Point concept currently employed. This will make current Military Specifications and Standards available at 14 stock points across the country. Despite the long range nature of this particular initiative, it does reflect DoD's continuing interest and efforts to improve the timeliness of our distribution of Military Specifications and Standards.

In the short term, several potential solutions exist. The New York State Office of Economic Development could satisfy a large percent of the demands for specifications by maintaining a small stock of documents in the high traffic Federal Supply Classes. The documents can be ordered from NPFC in advance of any solicitations, and the stock maintained through the NPFC's subscription service. For example, half of the documents on Mr. Checki's list of "specifications requested of Naval Publications and Forms Center" (attachment to his statement before this Committee dated June 18, 1981) are in only 5 FSCs. With subscriptions to those FSCs (at total cost of $50), those documents would have been on hand. This may be even more applicable to the small businesses themselves where they could specialize to a greater degree. A copy of the NPFCs "Guide for Private Industry" which explains the subscription service is attached.

Finally, there are several commercial concerns which specialize in the provision of specifications and standards including military and federal in micro-form or hard copy. While the DoD is neither abrogating its responsibility for making appropriate contractual documentation available, nor endorsing in any official way, these services, a list is provided of those whose existence is known to us:

Information Handling Services
15 Inverness Way East
Englewood, Colorado 80110
Telephone: 303-779-0600

National Standards Association, Inc.
5161 River Road
Washington, D.C. 20016
Telephone: 301-951-1389

Showcase Corporation
1200 Quince Orchard Blvd.
Gaithersburg, MD 20878
Telephone: 301-948-4660

In conclusion then, we believe that the DoD has been conscientiously pursuing initiatives in the area of improved distribution techniques for Military Specifications and Standards and is sensitive to the concerns of your Committee in this area.

Attachment
a/s

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

SARDA

22 July 1981

MEMORANDUM FOR THE ACTING DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION POLICY)

SUBJECT: Contracts not in Compliance With P.L. 95-507

In response to your memorandum of 16 June 1981, subject as above, attached are reports concerning citèd negotiated contracts which are alleged to be not in compliance with P.L. 95-507.

FOR THE DEPUTY ASSISTANT SECRETARY OF THE ARMY (ACQUISITION):

Raymond B Boddie

RAYMOND B. BODDIE
Colonel, GS
Deputy for Contract
Placement and Administration

10 Incl
Subj Rpts

7. Other information upon which SBA determined the plan to be unacceptable: None.

Miriam H. Pullins

MIRIAM H. PULLINS
Chief, PERSHING Team
Procurement Div A
Proc & Prod Dir

Ms. Pullins/6-3939

INFORMATION PAPER

DRSMI-I
2 July 1981

SUBJECT: Small Business and Small Disadvantaged Business Subcontracting Plan - Modification P00009, Contract DAAK40-79-C-0271

ISSUE. SBA allegation concerning the lack of opportunities provided to small businesses and small disadvantaged business concerns as contained in SB/SDB Subcontracting plans.

FACTS.

1. Contract Number: DAAK40-79-C-0271, Modification P00009.

2. Contracting Activity: U.S. Army Missile Command, Redstone Arsenal, AL.

3. Dollar Value of contract: $1,703,826.

4. Item procured: Engineering Services.

5. Acceptability of goal: Prior to award, SBA did not provide input concerning acceptability of the SB/SDB Subcontracting Plan since this action preceded the DAR requirement for SBAPCR review. However, the plan was reviewed and considered acceptable by Small and Disadvantaged Business Utilization Specialist.

6. Reason why SBA found the recital of records to be unacceptable: Two months after the Subcontracting Plan was incorporated into the contract, the Contracting Officer received a letter from the SBAPCR which stated that SBA Region II had advised SBAPCR that the goals were reasonable but that the plan "is considered unacceptable because it in no way does it provide information and/or procedure to comply with the basic minimum elements of DAR 7-104.14(b)." No further details or reasons were contained in the letter.

INFORMATION PAPER

DRSMI-IWC
1 Jul 81

SUBJECT: SBA Report of Contracts in NonCompliance with P.L. 95-507

ISSUE: DAAH01-80-C-0002, Raytheon Manufacturing Company

FACTS: The following information is provided as requested:

1. Contract Number: DAAH01-80-C-0002, Raytheon Manufacturing Company

2. Contracting Activity: Commander
US Army Missile Command
ATTN: DRSMI-IWC
Redstone Arsenal, AL 35898

3. Dollar value of contract: $22,557,895

4. Item procured: FY80 Engineering Services to support the PATRIOT Production Phase.

5. SBA found the goal acceptable.

6. The recital of records was not found to be unacceptable.

7. Other information upon which SBA determined the plan to be unacceptable: SBA determined the plan to be acceptable.

8. It should be noted that this contract was awarded when the SBSDBC subcontracting program was just being implemented. The contractor's standard plan, which has been modified and revised several times, is now in complete compliance with DAR 7-104.14(a). Initially, the contractor's purchasing records were not adequate to identify SB and SDB purchases by contract which was a contributing factor in establishing realistic goals for each contractual action. As the contractor has refined their records system and fully implemented the program, there has been an increasing improvement in this area, however, the nature of the Engineering Services contracts will always result in relatively small goals despite the dollar value of the contracts.

D. R. SIMMS
Ch, Proc Div "A"
Proc & Prod Dir
USAMICOM

INFORMATION PAPER

DRSMI-IWD
2 Jul 81

SUBJECT: SBA Report of Contracts in NonCompliance with P.L. 95-507

ISSUE: DAAH01-80-C-0484, General Dynamics Corporation

FACTS: The following information is provided as requested:

1. Contract Number: DAAH01-80-C-0484
2. Contracting activity: USAMICOM, P&P Directorate, Proc Div A, DRSMI-IWD
3. Dollar value of contract: $20,994,378
4. Item procured: ASSAULT BREAKER Flight Demonstration Program, Terminally Guided Submunitions
5. Where goal was found unacceptable by SBA provide:
    a. Goal recommended by prime contractor:

Amt	SB	SDB
$2,684,000	21%	0.12%

    b. Goal accepted by Contracting Officer:

Amt	SB	SDB
$2,684,000	21%	0.12%

    c. Goal recommended by SBA: No goals recommended.
    d. Information as to whether SBA provided any additional SB and/or SDB sources: No SB or SDB sources provided by SBA
6. Reason(s) why SBA found the recital of records to be unacceptable:

    SBA stated that the plan inadequately addresses record keeping.
7. Other information upon which SBA determined the plan to be unacceptable:
    a. Contractor plan to cooperate on surveys as may be reasonably required. The word "reasonably" was not acceptable.
    b. Contractor failure to include indirect and overhead in the subcontract dollars.

DRSMI-IWD
SUBJECT: SBA Report of Contracts in NonCompliance with P.L. 95-507

c. SBA noted that company refers to past performance over a 21 month period during which time commitments to SB were 41.72% of the total subcontract commitments. During the same period commitments to SDB were 2.58% of the total subcontract commitments. The goals for this action were, therefore, considered unacceptable.

Discussion:

1. Proposed subcontracting plans were submitted to the MICOM SB Representative and the SBA-PCR for review on 22 Jan 80.

2. The MICOM SB Representative's reply advised that the General Dynamics' plan fully meets all requirements of the DAR clause and that the goals for small and small disadvantaged business are considered acceptable.

3. The SBA-PCR reply, copy attached, returned the proposed plans without review.

4. The contract was awarded on 20 Feb 80. On 21 Apr 80, SBA-PCR comments, copy attached, relative to the unacceptability of the subcontracting plan were received.

5. A determination was made by the Contracting Officer that since the SBA-PCR comments were received two months after award of the contract, it is not considered in the best interest of the Government to disturb the awarded contract by attempting to renegotiate the subcontract plan contained therein.

2 Incls
as

JACK H. GROSSER
Chief, VIPER/ASSAULT BREAKER/CSWS
Procurement Division A
P&P Directorate, MICOM

U. S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
PROCUREMENT CENTER REPRESENTATIVE
U. S. ARMY MISSILE COMMAND
BLDG. 4488 – ROOM C-100-1
REDSTONE ARSENAL, ALABAMA 35809

5 February 1980

U.S.Army Missile Command
ATTN: DRSMI-IMD, Mr. Jerry M. McMurry
Redstone Arsenal, Alabama 35809

Dear Sir:

MICOM Control Number - P46

Reference is made to your Disposition Form, dated 22 January 1980, forwarding two subcontracting plans for DAAH01-80-R-0297, "ASSAULT BREAKER - Terminally Guided Submissile (TGSM) Phase III Flight Demonstration Program."

It has been brought to my attention by Region X, Small Business Administration that the plans you submitted are for a requirement for which MICOM has two companies competing. As of this date a final selection has not been made. Your attention is invited to DAR 7-104.14(b). This provision provides that only one plan will be required per requirement; namely, one from the apparent successful offeror. In view of the fact this office is not staffed to review other than a single contractor's plan per action, I am returning the plans herewith. When you make a final selection, please forward the plan from that source for review.

Respectfully,

Russell A. Simpson
RUSSELL A. SIMPSON
Procurement Center Representative
US Small Business Administration

2 Inclosures
Subcontracting Plans,
Boeing, General Dynamics

"THE FEDERAL GOVERNMENT IS AN EQUAL OPPORTUNITY EMPLOYER"

U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
REGION IV

DATE: 21 April 1980 **CONTROL NO.** MICOM PE9

TO: U.S. Army Missile Command, ATTN: DRSMI, IWD, L. Wilson

FROM: PROCUREMENT CENTER REPRESENTATIVE

SUBJECT: RFP/CONTRACT NO. DAAH01-80-C-0484
SUBCONTRACTING PLAN

CONTRACTOR: General Dynamics

PRICE: Unknown **TOTAL SUBCONTRACTING AMT** $2,684,000

DESCRIPTION OF PROCUREMENT: Assault Breaker

SUBCONTRACTING PLAN:	Acceptable	Unacceptable
1. Goals (Percentage) Small Businesses: 21% Small Disadvantaged Businesses: 0.12%		X
2. Company Administrator - Description of Duties	X	
3. Assurance of Competitive Subcontracting Plans	X	
4. Flow Down Clause and Threshold Subcontracting Plans	X	
5. Submits Periodic Subcontracting Compliance Reports and Cooperates as Necessary		X
6. Demonstrates Appropriate Recordkeeping to Assure Compliance		X

( ) ACCEPTABLE WITH THE FOLLOWING COMMENTS:

(X) UNACCEPTABLE WITH THE FOLLOWING COMMENTS:

See page 169, par 5--therein the contractor states they will cooperate on surveys as may be reasonably required. The word "reasonably" is unacceptable. Page 169, par 6 inadequately addresses record keeping. The contractor does not include indirect or overhead (see page 176) in the subcontract dollars. This office cannot accept that the contractor cannot forecast these dollars. (co

Please forward this office a copy of the subcontracting plan you finally accept for this contractual action.

PROCUREMENT CENTER REPRESENTATIVE

21 April 80
USAMICOM, DRSMI-IWD, L. Wilson

This is particularly true in light of all the flag waving about what they have accomplished for SASDB in the past. Most contractors do a great deal with their overhead or indirect dollars toward SASDB goals. Page 184 refers to the company's past performance. It states in part that in a 21-month period their purchase commitments to small business totalled $127,828,820. This represents 41.72% of their total subcontract commitments. During the same period purchases from minority-owned businesses amounted to $7,901,139 or 2.58% of their subcontract commitments. In light of past experience how can 21% to small business and 0.12% to small disadvantaged business for this contract be considered acceptable?

INFORMATION PAPER

DRSMI-IWE
1 Jul 81

SUBJECT: SBA Report of Contracts in NonCompliance with P.L. 95-507

ISSUE: DAAH01-80-C-0268, General Dynamics Corporation

FACTS: The following information is provided as requested:

1. Contract Number: DAAH01-80-C-0268, General Dynamics Corporation

2. Contracting Activity: Commander
US Army Missile Command
ATTN: DRSMI-IWE
Redstone Arsenal, AL 35898

3. Dollar value of contract: $60,103,200

4. Item procured: 2054 each STINGER Missiles and Ancillary Equipment

5. Although the goal was not found unacceptable (it was the subcontracting plan which was unacceptable), the following information is provided:

   a. Goal recommended by prime contractor: 18% - SB, 0.10% - SDB

   b. Goal accepted by contracting officer: 18% - SB, 0.10% - SDB

   c. Goal recommended by SBA: None

   d. Additional SB/SDB sources provided by SBA: None

6. The recital of records was not found to be unacceptable.

7. The subcontracting plan was found unacceptable for the following reasons:

   a. The prime contractor included the word "reasonably" in the plan with regard to their certification to submit reports and cooperate in surveys.

   b. The SBA reviewer was unable to understand several items in the plan such as Code 2 and 3 materials and why certain material requirements could not be predetermined.

   c. The plan had an inconsistency in that one place showed a goal of 0.15% for SDB while elsewhere it was shown as 0.10%. This was changed to 0.10% in both places.

DRSMI-IWE
SUBJECT: SBA Report of Contracts in NonCompliance with P.L. 95-507

8. It should be noted that this office did not receive SBA's notification that the plan was unacceptable until well after contract award and was consequently unable to resolve the deficient or questionable areas. SBA review was requested on 19 Nov 79, contract award was made on 30 Dec 79 and SBA notification was received on 15 Apr 80.

Vernon Kerry

VERNON KERRY
Ch, STINGER/Msl Minder Team
Sys Proc Div A
P&P Dir, MICOM

INFORMATION PAPER

DRSMI-I
2 Jul 81

SUBJECT: SBA Report of Contracts in NonCompliance with P.L.95-507

ISSUE: SBA allegation that contract did not contain maximum practicable opportunities for SB and Small Disadvantages Business Concerns.

FACTS:

1. Contract number: DAAH01-80-C-0714

2. Contracting Activity: Commander
US Army Missile Command
ATTN: DRSMI-IYB
Redstone Arsenal, AL 35898

3. Dollar value of contract: $2,291,670 basic contract

4. Item procured: Classified research and development effort for DARPA "Advanced Shaped Charge Development (U)" program

5. Where goal was found unacceptable:

   a. Original Plan (25 Mar 80)

      (1) Goal recommended by prime contractor:

         (a) 12% of planned subcontracting dollars with small business concerns.

         (b) .6% of planned subcontracting dollars with small disadvantaged business concerns.

      (2) Goal accepted by contracting officer:

      See comment on revised plan (10 Apr 80)

      (3) Goal recommended by SBA:

      No specific goals recommended - See general comments from PCR, 14 Apr 80, Attachment I.

      (4) SBA did not provide any additional SB and/or SDB sources.

   b. Revised Plan (10 Apr 80)

      (1) Goal recommended by prime contractor:

         (a) 12% of planned subcontracting dollars with small business concerns.

DRSMI-IYB
SUBJECT: SBA Report of Contracts in NonCompliance with P.L.95-507

(b) .6% of planned subcontracting dollars with small disadvantaged business concerns.

(2) Goal accepted by Contracting Officer:

Same as proposed by Contractor - See b(1) above.

(3) Goal recommended by SBA:

No recommendations were made. Revised plan was provided to PCR but no comments were received.

(4) SBA did not provide any additonal SB and/or SDB sources.

6. Reason(s) why SBA found the recital of records to be unacceptable:

General comments were provided on the original plan. Contractor submitted revised plan which included required information.

7. Other information upon which SBA determines the plan to be unacceptable:

Revised plan was considered acceptable and was negotiated as a part of the contract. This revised plan was reviewed by and concurred in by the MICOM Small Business Representative (see Attachment II). Revised plan was submitted to the PCR but no comment received.

Dora W Jones
ACTING CHIEF
RES & DEV TEAM
PROC & ACQ DIVISION
DIR FOR PROC & PROD

2 ATTACH
1. PCR Ltr, 14 Apr 80
2. Cmt 2, DRSMI-B, 16 Apr 80

SMALL BUSINESS ADMINISTRATION
REGION IV

DATE: April 14, 1980

CONTROL NO. MICOM P109

TO: U.S. Army Missile Command, ATTN: DRSMI-IYB, E. Hollingsworth

FROM: PROCUREMENT CENTER REPRESENTATIVE

SUBJECT: RFP/CONTRACT NO. DAAH01-80-C-0714
SUBCONTRACTING PLAN

Sub-K Plan was resubmitted on 10 Apr 80 and concurred in by Mr. [illegible] DRSMI-B Cmt 2, 16 Apr 80

CONTRACTOR: Physics International Company

PRICE: Unknown

TOTAL SUBCONTRACTING AMT Unknown

DESCRIPTION OF PROCUREMENT:

Unknown

SUBCONTRACTING PLAN:	Acceptable	Unacceptable
1. Goals (Percentage) Small Businesses: 12% Small Disadvantaged Businesses: .6%		X
2. Company Administrator - Description of Duties		X
3. Assurance of Competitive Subcontracting Plans	X	
4. Flow Down Clause and Threshold Subcontracting Plans	X	
5. Submits Periodic Subcontracting Compliance Reports and Cooperates as Necessary	X weak	
6. Demonstrates Appropriate Recordkeeping to Assure Compliance		X

( ) ACCEPTABLE WITH THE FOLLOWING COMMENTS:

(X) UNACCEPTABLE WITH THE FOLLOWING COMMENTS:

The percentage of dollars cannot be analyzed without (1) a statement of work, (2) complete justification and rationale, (3) total contract dollars, and (4) total subcontract dollars. Description of company administrator's duties are totally lacking. Plan is weak in the area of subcontracting compliance reports.

Please forward this office a copy of the subcontracting plan you finally accept for this contractual action.

PROCUREMENT CENTER REPRESENTATIVE

ATTACH I

DISPOSITION FORM

For use of this form, see AR 340-15, the proponent agency is TAGCEN.

REFERENCE OR OFFICE SYMBOL: DRSMI-IYB

SUBJECT: Physics International Small Business and Small Disadvantaged Business Subcontracting Plan for Contract DAAH01-80-C-0714

TO DRSMI-B FROM DRSMI-IYB DATE 14 Apr 80 CMT 1

Hollingsworth/rd/6-1816

1. Refer to your DF, dated 31 Mar 80, subject as above.

2. Attached is correspondence from Physics International regarding their Small Business Plan.

3. Request your review and concurrence.

Sara W Jones

1 Incl
as

SARA W. JONES
Contracting Officer

DRSMI-B (14 Apr 80)

TO DRSMI-IYB FROM DRSMI-B DATE 16 Apr 80 CMT 2

Ballew/876-2376

Concur.

wd all incl

JEFF D. DARWIN
Small and Disadvantaged Business
Utilization Specialist

DAN 7W 134

ATTACH II

DA FORM 1 FEB 62 2496 REPLACES DD FORM 96, WHICH IS OBSOLETE.

INFORMATION PAPER

DRSMI-IY
2 Jul 81

SUBJECT: Contract DAAK40-79-C-0197, AVCO Everett Research Laboratory, Inc.

ISSUE: SBA Report of Contracts in NonCompliance with P.L. 95-507

FACTS:

a. Contract Number - DAAK40-79-C-0197

b. Contracting Activity - US Army Missile Command, DRSMI-IYD, Directed Energy Directorate requirement.

c. Dollar Value - $6,475,106.00

d. Item Procured - Visible (XeF) Laser Scale-Up, TR Nr. 34-79

e. SBA & Subcontracting Plan:

(1) Goals recommended by the prime contractor: 20% of subcontracting dollars awarded to Small Business Concerns and 1% of subcontract dollars be awarded to Small Disadvantaged Business Concerns.

(2) Contracting Officer accepted the contractor's proposed goals.

(3) No goals were recommended by SBA; SBA accepted goals proposed by contractor.

(4) The SBA did not recommend any additional SB and/or SDB sources for this procurement.

f. SBA reason(s) for citing the subcontracting plan unacceptable is in Inclosure 1 attached hereto; correspondence received from the SBA Region.

g. Other Information:

(1) The plan was submitted to the MICOM Small Business Advisor, Mr. Jeff Darwin on 21 Nov 79. A copy was also furnished to Mr. Russell Simpson of the SBA at the same time.

(2) Mr. Darwin replied on 26 Nov 79 that the plan was acceptable as submitted. Mr. Simpson did not furnish an input prior to contract award.

h. Additional Comments:

(1) The above letter contract was definitized on 30 Nov 79 and included the plan submitted by the contractor and accepted by the Small Business Advisor, Mr. Darwin.

(2) On or about 20 Mar 80, correspondence was received from Mr. Simpson of the SBA which stated the subcontracting plan was unacceptable based on a letter from Region 1 of the SBA (See attached).

(3) On 20 Mar 80, at the direction of the Contracting Officer, a reply was furnished to Mr. Simpson which stated that since his input was after the fact of contract award, no further action was being taken regarding his input (See attached).

Annie H. Edwards

1 Incl
as

ANNIE H. EDWARDS
Actg. Ch. IMAAWS Proc Team
Sys Proc Div B
Dir for Proc & Prod
Tel. AV 746-2053

DISPOSITION FORM

For use of this form, see AR 340-15, the proponent agency is TAGCEN.

REFERENCE OR OFFICE SYMBOL DRSMI-IYD	SUBJECT AVCO Everett Research Laboratory, Inc., Letter Contract DAAK40-79-C-0197

TO SBA-PCR Mr. R. A. Simpson

FROM DRSMI-IYD

DATE 20 MAR 1980

CMT 1

Mathison/vbc/6-2053

1. Subject letter contract was awarded 11 July 1979, Modification PZ0004 definitized the letter contract on 30 November 1979. In preparation for the award of PZ0004, the contractor's sub-contracting plan was reviewed and accepted by the Small and Disadvantaged Business Utilization Specialist on 26 November 1979. Further, a Contracting Officer's Determination, dated 26 November 1979 was made in accordance with DAR 1-707.3 (d) for this procurement. Based on the above, there was no question concerning the contractor's subcontracting plan at the time of award.

2. Based on the date of SBA Subcontracting Specialists for Region 1 recommendation for rejection and the date of your response to this office, each being after the fact of contract award, no further action is being taken by this office on the sub-contracting plan.

James L. Mathison
JAMES L. MATHISON
Contract Specialist

cc M. White, DRSMI-IBA, per our conversation
21 Mar 80

DA FORM 1 FEB 62 2496 REPLACES DD FORM 96, WHICH IS OBSOLETE.

U. S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
PROCUREMENT CENTER REPRESENTATIVE
U. S. ARMY MISSILE COMMAND
BLDG. 4488 – ROOM C-100-1
REDSTONE ARSENAL, ALABAMA 35809

MICOM Control No. P5

U.S. Army Missile Command
ATTN: DRSMI- IYD I.L. MaTHison
Redstone Arsenal, Alabama 35809

Dear Sir:

I have reviewed the subcontracting plan submitted by Avco Everett Lab. on Contract No. DAAK 40-79-C-0197.

_ Acceptable
✓ Unacceptable for the following reasons:

See attached letter from SBA Region I

Sincerely,

Russell A. Simpson
RUSSELL A. SIMPSON
Procurement Center Representative
US Small Business Administration

"THE FEDERAL GOVERNMENT IS AN EQUAL OPPORTUNITY EMPLOYER"

U. S. SMALL BUSINESS ADMINISTRATION
150 CAUSEWAY STREET
BOSTON, MASSACHUSETTS 02114

February 7, 1980

Russell Simpson
PCR Army Missile Command
Building 4488
Room C-100-1
Redstone Arsenal, Alabama 35809

Subject: Subcontracting Plans for RFP DAAK40-79-C-0134 and DAAK40-79-C-0197 for AVCO Everett Research Laboratories

Dear Mr. Simpson:

I feel these, two subcontract plans have not been well thought out, nor analyzed on an individual basis toward a goal of maximizing subcontracting opportunities for both small and disadvantaged small business.

In my opinion, these plans reflect an attempt to reduce this planning to "boiler plate". Both plans have 20% to small business and 1% to disadvantaged.

AVCO Everett is not in our voluntary subcontracting program, but figures from DCASR-Boston show AVCO Everett has consistently subcontracted over 50% of their work to small business in the past.

I therefore recommend these plans be rejected and a more serious submission be requested.

Sincerely,

James E. Gough

James E. Gough
Subcontracting Specialist
Region I

cc: ARA/RP-Region I

DISPOSITIO I FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL DRSMI-IYD	SUBJECT Contract DAAK40-79-C-0197, AVCO Everett Research Laboratory, Inc., DAR 7-104.14(b)

TO DRSMI-B FROM DRSMI-IYD DATE 21 NOV 1979 CMT 1
ATTN: Jeff Darwin
Mathison/vbc/6-2053

1. Reference is made to subject contractor's subcontract plan, Incl 1.

2. Request you review the referenced subcontract plans and provide your comments/recommendations concerning the acceptability of the plan and of subject contractor's performance in this area in the past.

3. Request your comments as soon as possible.

1 Incl
as

James L Mathison
JAMES L. MATHISON
Contract Specialist

DRSMI-B

TO DRSMI-IYD FROM DRSMI-B DATE 26 Nov 79 CMT 2

AVCO Everett's subcontract plan has been reviewed and is considered to be acceptable. DCASR Boston Small Business Office reports that AVCO Everett's subcontracting with small and small disadvantaged businesses has been excellent in the past. DCASR Boston is sending me a copy of their latest review of AVCO Everett's subcontracting.

wd all incl

Jeff D. Darwin
JEFF D. DARWIN
Small and Disadvantaged Business
Utilization Specialist

DA FORM 1 FEB 62 2496 REPLACES DD FORM 96, EXISTING SUPPLIES OF WHICH WILL BE ISSUED AND USED UNTIL 1 FEB 63 UNLESS SOONER EXHAUSTED.

INFORMATION PAPER

DRSMI-IY
2 Jul 81

SUBJECT: MICOM Contract DAAH01-80-C-0208, AVCO Everett Research Laboratory, Inc.

ISSUE: SBA Report of Contracts in NonCompliance with P.L. 95-507

FACTS:

a. Contract Number - DAAH01-80-C-0208

b. Contracting Activity - MICOM, DRSMI-IYD, DED requirement.

c. Dollar Value - $7,031,221.00, presently funded to $4,720,000.00.

d. Item Procured - Pulsed Laser Device Development, TR 2-79.

e. SBA & Subcontracting Plan:

(1) Goal recommended by prime contractor: 20% of subcontract dollars to Small Business and 1% of subcontract dollars to Small Disadvantaged Business.

(2) Contracting Officer accepted the contractor's proposed goals.

(3) Goal recommended by SBA - None recommended.

(4) The SBA did not recommend any SB or SDB sources for this requirement.

f. SBA reason(s) for finding the recital of records to be unacceptable is contained in Inclosure 1, attached hereto; correspondence received from the SBA Region 1, dated 7 Feb 80.

g. Other Information:

(1) The plan was submitted to the MICOM Small Business Advisor, Mr. Jeff Darwin on 3 Dec 79. A copy was also furnished to Mr. Russell Simpson of the SBA at the same time.

(2) Mr. Darwin replied on 3 Dec 79 that the plan was acceptable as submitted. Mr. Simpson did not furnish an input prior to contract award.

h. Additional Comments:

(1) The above contract was awarded on 31 Dec 79 and included the plan submitted by the contractor and accepted by the Small Business Advisor, Mr. Darwin.

(2) On 25 Feb 80, correspondence was received from Mr. Simpson of the SBA which stated the subcontracting plan was unacceptable based on a letter from Region 1 of the SBA (See attached).

(3) On 10 Mar 80, at the direction of the Contracting Officer, a reply was furnished to Mr. Simpson which stated that since his input was after the fact of contract award, no further action was being taken regarding his input (See attached).

Annie H. Edwards

1 Incl
as

ANNIE H. EDWARDS
Actg. Ch. IMAAWS Proc Team
Sys Proc Div B
Dir for Proc & Prod
Tel. AV 746-2053

DRSMI-IYD

AVCO Everett Research Laboratory, Inc.
RFP DAAK40-79-R-0134

SBA-PCR
Mr. R. A. Simpson

DRSMI-IYD

10 MAR 1980
Florence/mdw/6-5920

1. Subject RFP resulted in Contract DAAH01-80-C-0208 which was awarded on 31 December 1979. In preparation for the award, the contractor's sub-contracting pl n was reviewed and accepted by the Small and Disadvantaged Business Utilization Specialist on 3 December 1979. Further, a Contracting Officer's Determination dated 27 December 1979 was made in accordance with DAR 1-707.3(d) for this procurement. Based on the above, there was no question concerning the contractor's subcontracting plan at the time of award.

2. Based on the date of SBA Subcontracting Specialists for Region 1 recommendation for rejection and the date of your response to this office, each being after the fact of contract award, no further action is being taken by this office on the contractor's subcontracting plan.

LEE FLORENCE
Contract Specialist

1953

U. S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
PROCUREMENT CENTER REPRESENTATIVE
U. S. ARMY MISSILE COMMAND
BLDG. 4488 – ROOM C-100-1
REDSTONE ARSENAL, ALABAMA 35809

MICOM Control No. 8/10

U.S. Army Missile Command
ATTN: DRSMI- IYD L FLORENCE
Redstone Arsenal, Alabama 35809

Dear Sir:

I have reviewed the subcontracting plan submitted by AVCO EVERETT RESEARCH LABS on Contract No. DAAK40 79-C-0134.

_ Acceptable

✓ Unacceptable for the following reasons:

See attached letter from SBA Region I

Sincerely,

RUSSELL A. SIMPSON FEB 25 1980
Procurement Center Representative
US Small Business Administration

"THE FEDERAL GOVERNMENT IS AN EQUAL OPPORTUNITY EMPLOYER"

U. S. SMALL BUSINESS ADMINISTRATION
150 CAUSEWAY STREET
BOSTON, MASSACHUSETTS 02114

February 7, 1980

Russell Simpson
PCR Army Missile Command
Building 4488
Room C-100-1
Redstone Arsenal, Alabama 35809

Subject: Subcontracting Plans for RFP DAAK40-79-C-0134 and
DAAK40-79-C-0197 for AVCO Everett Research Laboratories

Dear Mr. Simpson:

I feel these, two subcontract plans have not been well thought out, nor analyzed on an individual basis toward a goal of maximizing subcontracting opportunities for both small and disadvantaged small business.

In my opinion, these plans reflect an attempt to reduce this planning to "boiler plate". Both plans have 20% to small business and 1% to disadvantaged.

AVCO Everett is not in our voluntary subcontracting program, but figures from DCASR-Boston show AVCO Everett has consistently subcontracted over 50% of their work to small business in the past.

I therefore recommend these plans be rejected and a more serious submission be requested.

Sincerely,

James E. Gough/mk

James E. Gough
Subcontracting Specialist
Region I

cc: ARA/RP-Region I

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL
DRSMI-IYD

SUBJECT
Subcontracting Plan for AVCO Everett Research Laboratory, Inc.

TO DRSMI-XB   FROM DRSMI-IYD   DATE 0 3 DEC 1979   CMT 1
Florence/mdw/6-7321

1. This office intends to award a contract to AVCO Everett Research Laboratory, Inc. of 2385 Revere Beach Parkway, Everett, MA 02149 for further development of the Electric Discharge Pulsed Laser Device. This is research and development effort and as such offers very limited subcontracting opportunities.

In accordance with Public Law 95-507, the contractor has submitted the attached Subcontracting Plan. It is requested that your office review this plan for compliance with regulations and furnish this office with your comments. Your reply is requestec by 4 December 1979.

Lee Florence
LEE FLORENCE
Contract Specialist

1 Incl
as

DRSMI-B

TO DRSMI-IYD   FROM DRSMI-B   DATE 3 Dec 79   CMT 2

AVCO Everett's subcontracting plan is considered acceptable as submitted.

wd all incl

JEFF D. DARWIN
Small and Disadvantaged Business
Utilization Specialist

DA FORM 1 FEB 62 2496   REPLACES DD FORM 96, EXISTING SUPPLIES OF WHICH WILL BE ISSUED AND USED UNTIL 1 FEB 63 UNLESS SOONER EXHAUSTED.

1. DAAE07-80-C-0207

a. Contracting activity: Teledyne Continental Motors

b. Dollar value of contract: $611,915

c. Item procured: 8500 each Piston, Internal Com (NSN: 2815-00-397-3316)

d. Goals recommended by prime contractor:

(1) Small business - 1% (original proposal was 0%).

(2) Small disadvantaged business - 4% (original proposal was 0%).

e. Goals accepted by contracting officer:

(1) Small business - 1% (original proposal was 0%).

(2) Small disadvantaged business - 4% (original proposal was 0%).

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable:

(1) Contractor refused to provide subcontract dollar amount.

(2) Zero percent goals for both small and small disadvantaged businesses are unacceptable.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

2. DAAE07-80-C-0057

a. Contracting activity: General Motors Corporation, Harrison Radiator Division.

b. Dollar value of contract: $554,954.40

c. Item procured: 1,092 each Cooler, Oil Engine (NSN: 2930-01-024-6706)

d. Goals recommended by prime contractor:

(1) Small business - 48%

(2) Small disadvantaged business - 0%

e. Goals accepted by contracting officer:

(1) Small Business - 48%

(2) Small disadvantaged business - 0%

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable:

(1) Goal meaningless without some relationship between the total planned subcontracting dollars and total contract dollars.

(2) Zero percent goal for small disadvantaged business is unacceptable.

(3) Flow down clause leaves a lot of unanswered questions.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

3. DAAE07-80-C-6003

a. Contracting activity: Prestolite Company

b. Dollar value of contract: $524,537

c. Item procured: 40,349 each Parts Kit, Ignition (NSN: 2920-01-060-0956)

d. Goals recommended by prime contractor:

(1) Small business - 1% (original proposal was 0%)

(2) Small disadvantaged business - 4% (original proposal was 0%)

e. Goals accepted by contracting officer:

(1) Small business - 1% (original proposal was 0%)

(2) Small disadvantaged business - 4% (original proposal was 0%)

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable: Zero percent goals are not acceptable.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

4. DAAE07-80-C-0142, Mod No. P00004

a. Contracting activity: Chrysler Defense, Inc.

b. Dollar value of contract: $200,000

Public Law 95-507 requires the inclusion of an approved small and small disadvantaged business subcontracting plans in contracts anticipated to exceed $500,000. Since this modification amount is for $200,000, a plan did not need to be submitted.

5. DAAE07-80-C-0051

a. Contracting activity: Chrysler Corporation, Cross Services

b. Dollar value of contract: $9,406,200

c. Item procured: 12 months of cross services for Lima

d. Goals recommended by prime contractor:

(1) Small business - 21%

(2) Small disadvantaged business - .02%

e. Goals accepted by contracting officer: memorandum states that the plan will not be incorporated into the contract.

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable: Small disadvantaged business goal of .02% is unacceptable.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

6. DAAK30-80-C-0051

a. Contracting activity: Teledyne Continental Motors

b. Dollar value of contract: $11,590,000

c. Item procured: XM1 Backup Diesel Engine Program

d. Goals recommended by prime contractor:

(1) Small business - 62%

(2) Small disadvantaged business - .02%

e. Goals accepted by contracting officer:

(1) Small business - 62%

(2) Small disadvantaged business - .02%

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable: .02% for small disadvantaged business goal too low.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

7. DAAK30-79-0138, Mod P00004

a. Contracting activity:

b. Dollar value of contract: $999,994

c. Item procured: Services for evaluation of the Garret GT-601 Turbine Engine in a Tracked Military Vehicle.

d. Goals recommended by prime contractor:

(1) Small business - 10.7% of indirect and overhead costs.

(2) Small disadvantaged business - 1% of indirect and overhead costs.

e. Goals accepted by SBA:

(1) Small business - 10.7% of indirect and overhead costs.

(2) Small disadvantaged business - 1% of indirect and overhead costs.

f. Evaluation from SBA not available for review in the contract file.

8. DAAE07-80-C-0523

a. Contracting activity: Chrysler Defense, Inc.

b. Dollar value of contract: $642,844.40

c. Item procured: 110 each Modification Kit, Turret Traversing Gear Box

d. Goals recommended by prime contractor:

(1) Small business - 35%

(2) Small disadvantaged business - 0%

e. Goals accepted by contracting officer:

(1) Small business - 35%

(2) Small disadvantaged business - 0%

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable: Small disadvantaged business goal of 0% is unacceptable.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

9. DAAE07-80-C-0509

a. Contracting activity: Sperry Corp., Sperry Vickers AMD Division

b. Dollar value of contract: $536,350

c. Item procured: 170 each Axial Piston Pump (NSN: 4320-00-773-9342)

d. Goals recommended by prime contractor:

(1) Small business - 13%

(2) Small disadvantaged business - 0%

e. Goals accepted by contracting officer:

(1) Small business - 13%

(2) Small disadvantaged business - 0%

f. Goals recommended by SBA: not stated.

g. Additional small business and/or small disadvantaged business sources recommended by SBA: none

h. Reasons why SBA found the recital of records to be unacceptable: 0% goal for small disadvantaged business is unacceptable.

i. Other information upon which SBA determined the plan to be unacceptable: not stated.

SUBCONTRACTING PLAN INFORMATION

a. Contract No: DAAK10-79-C-0290, P00006

Contractor: Chrysler Corp., Huntsville Electronics Division, Huntsville, Alabama 35805

b. Contracting Activity: US Army ARRADCOM

c. Dollar Value: Modification P00006 - $1,958,738

d. Item Procured: Development and Fabrication of three Army Depot Automatic Diagnostic System (ADADS) Test Stations.

e. (1) Goal recommended by prime contractor for total subcontracting dollars to Small Business was 40% of the total planned subcontracting amount. Goal for small disadvantaged business concerns was 0.5% of total planned subcontract amount.

(2) Recommended goals were accepted by the Contracting Officer.

(3) The Procurement Center Representative (PCR) of the SBA did not take exception to the goals as recommended by the Contractor.

(4) The SBA did not provide any Small Business or Small Disadvantaged Business sources.

f. The plan, as initially submitted by contractor, did not specify what subcontracting records were to be maintained and available for review. The amended plan presented by the contractor and incorporated in the contract included a detailed recitation of records. This revised plan was not reviewed by SBA due to the non-availability of the PCR (see para. h. below).

g. The first subcontracting plan submitted by the Contractor was reviewed by the PCR in July, 1980. The PCR's comments did not address goals, rather these comments pertained to: clarification of who the subcontracting administrator was to be; description of contractor's efforts to assure equitable opportunity for small and small disadvantaged subcontractors; statement of contractors willingness to submit reports to and cooperate with SBA; recitation of records; and the fact that the plan appeared to be corporate wide.

h. The contractor was advised of the PCR's comments and submitted a revised subcontracting plan incorporating provisions addressing the specified inadequacies. The SBA did not review this revised plan as the PCR notified this Command that he was on TDY for an indefinite period and was to be bypassed on subcontracting plan review until further notice. As this revised plan covered the points in question by the PCR, it was incorporated as part of Contract No. DAAK10-79-C-0290, P00006, executed on 22 September 1980.

DEPARTMENT OF THE ARMY
MISSOURI RIVER DIVISION, CORPS OF ENGINEERS
P. O. BOX 103, DOWNTOWN STATION
OMAHA, NEBRASKA 68101

MRDSD 1 July 1981

SUBJECT: Contracts Not In Compliance Wtih Public Law 95-507

Commander
US Army Corps of Engineers
ATTN: DAEN-DB
Washington, DC 20314

The following comments are furnished in accordance with your letter of 26 June 1981:

a. DACA45-80-C-0004.

b. US Army Corps of Engineers District, Omaha.

c. $5,150,000

d. Architect-Engineer contract for design of US Army Hospital, Ft Carson, CO.

e. (1) Small Business 5.6%, Small Disadvantaged Business .7%

e. (2) Small Business 5.6%, Small Disadvantaged Business .7%

e. (3) No recommendation received from SBA

e. (4) No record of SBA providing any additional small business and/or disadvantaged business sources.

f. No information is available as to why SBA found the recital of records to be unacceptable.

g. No information is available as to why the SBA determined the plans to be unacceptable.

FOR THE COMMANDER:

WENDELL G. JONES
Chief, Procurement and
Supply Division

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D C 20350

AUG 21 1981

MEMORANDUM FOR THE DEPUTY UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING (ACQUISITION POLICY)

Subj: Response to Congressional request for information regarding Small and Disadvantaged Business

Ref: (a) Your memo of 27 Jul 1981, subj: Information required for Congressional reply
(b) Your memo of 16 Jun 1981, subj: Contracts not in Compliance with Public Law 95-507

Enclosed is the Navy's consolidated response to the issues contained in references (a) and (b). Specifically, Tab (A) responds to the questions raised by Congressman LaFalce and Tab (B) to the questions of Congressman Addabbo. Enclosure (2) to Tab (A) provides reports on negotiated contractual actions relating to the Small Business Administration's (SBA) report on non-compliance with P.L. 95-507 goals and responds to both references (a) and (b).

However, it is important to note that Navy contracting activities have had a great deal of difficulty in determining the exact nature of the issues which SBA has reported as being in non-compliance with P.L. 95-507. In many instances the contract files showed no record of review or complaint by the SBA. In addition, in many cases the SBA resident representative at the various contracting offices was unable to clarify any issues involved, creating an additional administrative burden on the contracting offices in preparing a response.

Chapman B Cox

CHAPMAN B. COX
DEPUTY
ASSISTANT SECRETARY OF THE NAVY
FOR LOGISTICS

FACT SHEET

a. Contract Number: Problem Area: 1 and 6

N00019-75-C-0424, P.O.s E02039L and E92043L

b. Contracting Activity:

N00019-75-C-0424 was issued by the Naval Air Systems Command to McDonnell Douglas Corporation.

Purchase Orders E02039L and E92043L were issued by McDonnell Douglas to General Electric in support of work to be performed by McDonnell Douglas under the Navy contract.

The Navy has no record of an SBA review of the referenced purchase orders and the NAVAIR PCO has advised that the SBA representative contacted at McDonnell Douglas is not aware of deficiencies in subcontracting plans under these orders.

FACT SHEET

a. Contract Number: Problem Area: (1), (6)

N00019-79-C-0632 (General Electric Co)

b. Contracting Activity:

NAVAIR

c. Dollar value of contract:

$27Millon

d. Item procured:

Engineering Test Unit and four (4) pre-production 25mm gun systems and containers, 25mm ammunition, two (2) ammunition loaders, plus support and data.

e. Where goal was found unacceptable by SBA provide:

There is no evidence in the official files of this headquarters that subject plan was submitted for review.

f. Reason (s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

FACT SHEET

a. Contract Number: Problem Area: (1), (6)

N00019-80-C-0012 (Grumman Aerospace Corp)
P. O. 14-19675

b. Contracting Activity:

NAVAIR

c. Dollar value of contract:

$566,000

d. Item procured:

Long lead procurement of materials for production of FY 1981 - F-14 Aircraft.

e. Where goal was found unacceptable by SBA provide:

f. Reason (s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

P.O. 14-19675 was a P.O. for FY-80 requirements issued to General Electric by Grumman. This P.O. did not require SB/SDB plan because it was issued prior to the implementation of the requirement for a plan. P.O. 14-19675 was amended to add a long lead requirement for FY-81 effort and was funded for approximately $566,000. The modification included a note that the order would be revised and effort thereunder would be transferred to a new subcontract when the FY-81 contract was issued. No SB/SDB plan was included in the modification. However, when the new prime contract was issued, a new P.O. was issued to G.E. which did include a suitable plan. The new P.O. was P.O. 15-07167.

FACT SHEET

a. Contract Number: Problem Area: (6)

N00019-79-C-0566 (Fairchild Camera & Instrument)

b. Contracting Activity: NAVAIR

c. Dollar value of contract: $8,198,000

d. Item procured: KA-99A Panoramic Camera

e. Where goal was found unacceptable by SBA provide: N/A

f. Reason(s) why SBA found the recital of records to be unacceptable.

The reason is unknown. The SBA PCR accepted the plan as being in compliance with P.L. 95-507 and gave no comment or recommendation.

g. Other information upon which SBA determined the plan to be unacceptable.

N/A

FACT SHEET

a. Contract Number: N00019-79-C-0591 Problem Area: (6)
Hazeltine

b. Contracting Activity: Naval Air Systems Command
(Naval Avionics Center)

c. Dollar value of contract: $3.5 Million

d. Item procured: SSQ-77 (ULAD) Sonobuoys

e. Where goal was found unacceptable by SBA provide:

N/A

f. Reason(s) why SBA found the recital of records to be unacceptable.

There is no evidence in the official file that SBA reviewed and commented on the plan. (However, NAVAIR Counsel recommended that the contractor recite the records he will maintain to demonstrate compliance. The plan was subsequently approved and included in the contract.)

g. Other information upon which SBA determined the plan to be unacceptable.

N/A

FACT SHEET

a. Contract Number: Problem Area: 3, 4, 5, 6

N00019-80-C-0128 (Instrument Systems Division, Telephonics Corporation)

b. Contracting Activity:

NAVAIR

c. Dollar Value of Contract:

$1,503.412

d. Item Procured:

Material and services necessary to design, develop and deliver four (4) Multi-Mode Receivers (MMR).

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: N/A

(b) Goal accepted by contracting officer: N/A

(c) Goal recommended by SBA: N/A

(d) Information as to whether SBA provided additional SB/SD sources: N/A

f. Reason (s) why SBA found the recital of records to be unacceptable.

No records exist of SBA review of this contract.

g. Other information upon which SBA determined the plan to be unacceptable.

N/A

FACT SHEET

a. Contract Number: Problem Area: (1)

N00019-79-C-0222 (Northrop Corp.)

b. Contracting Activity: NAVAIR

c. Dollar value of contract: $277,013

d. Item procured: Long lead time materials for the overall Airborne Self Protection Jammer (ASPJ) Phase II Program

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor: 0%
(2) Goal accepted by contracting officer: 0%
(3) Goal recommended by SBA: None. See item g below.
(4) No additional sources provided by SBA.

f. Reason(s) why SBA found the recital of records to be unacceptable.

N/A

g. Other information upon which SBA determined the plan to be unacceptable.

The SBA PCR commented on the contractor's original submission as follows:

(1) The plan failed to provide either a percentage or dollar figure regarding the utilization of small business in the corporation's subcontracting efforts.

(2) The corporation did not provide a description of the principal products or services to be subcontracted or identify those areas where they planned to use small business and small disadvantaged business as subcontractors.

(3) The goal setting procedure as presented in the plan was ambiguous and additional information was needed to clarify the goals.

FACT SHEET

a. Contract Number: Problem Area: (2), (5), (6)

N00019-80-C-0069 (Grumman Aerospace Corp.)

b. Contracting Activity: NAVAIR

c. Dollar value of contract: $5,960,000

d. Item procured: Sustaining Engineering for Ground Support Equipment for F-14 Aircraft.

e. Where goal was found unacceptable by SBA provide: N/A

f. Reason(s) why SBA found the recital of records to be unacceptable.

The last page of this small business plan was inadvertently omitted, prompting concern for shortcomings in the areas of reports, studies recital, and records recital. (This page is now properly attached to the plan.)

g. Other information upon which SBA determined the plan to be unacceptable.

The name of the subcontracting program administrator had been omitted from the plan.

FACT SHEET

a. Contract Number: Problem Area: 1 and 6

N00024-80-C-7147, P.O. 275033

b. Contracting Activity:

N00024-80-C-7147 was issued by the Naval Sea Systems Command to General Dynamics Corporation.

Purchase Order 275033 appears to be a purchase order issued by General Dynamics to General Electric in support of work to be performed by General Dynamics under the Navy contract.

The Navy does not review the subcontracting plans contained in commercial orders issued by its prime contractors and has no record of an SBA review of the referenced order.

FACT SHEET

a. Contract Number: Problem Area: 1 and 6

N00024-79-C-7154, P.O. 167427

b. Contracting Activity:

N00024-79-C-7154 was issued by the Naval Sea Systems Command to General Dynamics Corporation.

Purchase Order 167427 appears to be a purchase order issued by General Dynamics to General Electric in support of work to be performed by General Dynamics under the Navy contract.

The Navy does not review the subcontracting plans contained in commercial orders issued by its prime contractors and has no record of an SBA review of the referenced order.

FACT SHEET

a. Contract Number: N00024-80-C-6080 Problem Area: 5 and 6

b. Contracting Activity: Naval Sea Systems Command

c. Dollar value of contract: $3,074,500

d. Item procured: AN/SQR-18A Sonar System

e. Where goal was found unacceptable by SBA provide: N/A

f. Reason(s) why SBA found the recital of records to be unacceptable.

SBA claimed the plan did not state how the contractor would comply with the records requirements.

g. Other information upon which SBA determined the plan to be unacceptable.

SBA claimed the plan did not state that the contractor would participate in small business monitoring reviews.

FACT SHEET

a. Contract Number: N00024-80-C-2025 Problem Area: 1

b. Contracting Activity: Naval Sea Systems Command

c. Dollar value of contract: $16,000,000

d. Item procured: Post Shakedown Availability and Installation of LAMPS MK III Weapons System aboard USS MCINERNEY, FFG-8

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor

13% Small Business
.019% Disadvantaged Business

(2) Goal Accepted by contracting officer

13% Small Business
.019% Disadvantaged Business

(3) No recommendation received from SBA.

(4) No additional sources provided by SBA.

f. Reason(s) why SBA found the recital of records to be unacceptable.

N/A

g. Other information upon which SBA determined the plan to be unacceptable.

SBA considered the goals to be low.

FACT SHEET

a. Contract Number: N62799-80-C-0021/J.O. #0034 Problem Areas: 3, 4, 6

b. Contracting Activity: SUPSHIP SEATTLE

c. Dollar value of contract: (Award: $16,646,300
(Adjusted: $21,256,329)

d. Item procured: Overhaul of USS MT VERNON

e. Where goal was found unacceptable by SBA provide: N/A

(1) Goal recommended by prime contractor. N/A
(2) Goal accepted by contracting officer. N/A
(3) Goal recommended by SBA. N/A
(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources. N/A

* f. Reason(s) why SBA found the recital of records to be unacceptable.

** g. Other information upon which SBA determined the plan to be unacceptable.

*f: The plan did not provide enough detail in that section to ensure that small businesses would have a practicable opportunity to participate in procurements.

**g. (1) The description of efforts to be taken to ensure practicable opportunity to participate didn't provide enough detail.

(2) Flow down of the clause provisions. This item was correct on the plan, however, a subsequent review found the contractor in non-compliance with it's plan in that area.

FACT SHEET

a. Contract Number: N62799-70-C-0013/J.O. #0046 Problem Areas: 3, 4, 6

b. Contracting Activity: SUPSHIP SEATTLE

c. Dollar value of contract: { Award: $17,141,368
Adjusted: $23,261,704 }

d. Item procured: Baseline Overhaul of USS STEIN (FF-1065)

e. Where goal was found unacceptable by SBA provide: N/A

(1) Goal recommended by prime contractor. N/A
(2) Goal accepted by contracting officer. N/A
(3) Goal recommended by SBA. N/A
(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources. N/A

*f. Reason(s) why SBA found the recital of records to be unacceptable.

**g. Other information upon which SBA determined the plan to be unacceptable.

*f. The plan did not provide enough detail in that section to ensure that small businesses would have a practicable opportunity to participate in procurements.

**g. (1) The description of efforts to be taken to ensure practicable opportunity to participate didn't provide enough detail.

(2) Flow down of the clause provisions. This item was correct on the plan, however, a subsequent review found the contractor in non-compliance with it's plan in that area.

FACT SHEET

a. Contract Number: N62786-70-C-0001/J.O. #9-A00003 Problem Area: 1

b. Contracting Activity: SUPSHIP BATH

c. Dollar value of contract: $8,900,000

d. Item procured: Overhaul of USS VREELAND

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor. 48% + 3% (Small & Disadvantaged Bus
(2) Goal accepted by contracting officer. 52% + 0.35%
(3) Goal recommended by SBA. None
(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources. None provided by SBA.

f. Reason(s) why SBA found the recital of records to be unacceptable.
No documented support by Contractor.

g. Other information upon which SBA determined the plan to be unacceptable.
Same percentage used from previous ship repaired, and was not considered maximum practicable percentage for participation.

Note: 1. This modification was initially awarded by SUPSHIP Jacksonville. No sub-contracting plan was initiated until after award was made.

2. Sub-contracting Plan was reviewed by SBA - Concord, N.H.

FACT SHEET

a. Contract Number: N00030-78-C-0166 Problem Area: 1

b. Contracting Activity: Department of the Navy, Strategic Systems Project Office

c. Dollar value of contract: $12,594,963

d. Item procured: Life Test Verification Stations for Inertial Measurement Unit (IMU factory acceptance testing, including calibration adapters and systems software)

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor:

$646.00 for small business
$22.00 for disadvantaged business

(2) Goal accepted by contracting officer: Same.

(3) Goal recommended by SBA: No recommendation made by SBA.

(4) SBA did not provide additional sources.

f. Reason(s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

No record exists, in either PCO or ACO contract files, which indicates that SBA made a review or recommendation on this plan.

Letter Contract N00030-78-C-0166 was executed on 78 September 06 before law was effected. Modification No. PZ0001, which definitized the Letter Contract was executed on 78 December 14. Although law was passed in October 1978, it was not implemented by DOD until 79 July 27. Therefore, no plan was included in the definitized contract. However, Modification No. P00003 for $580,533, which increased scope, did include a plan as required.

FACT SHEET

a. Contract Number: N00600-80-C-4220 Problem Area: 1

b. Contracting Activity: Naval Regional Contracting Office, Washington, D.C.

c. Dollar value of contract: $750,000

d. Item procured: Mark 12 and Mark 200 Boosters

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor:

(a) Quarterly small business goals: 81%, 65%, 56%, 84%
(b) Quarterly disadvantaged business goals: 1%, 3%, 3.3%, .02%

(2) Goal accepted by contracting officer: Same as above.

(3) Goal recommended by SBA: *

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources.*

f. Reason(s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.*

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* There is no record in the Procuring Contracting Officer's contract file of either a review or recommendation by SBA.

FACT SHEET

a. Contract Number: N00102-80-C-0017 Problem Areas: 1, 2, 4, 5 & 6

b. Contracting Activity: Portsmouth Naval Shipyard, Portsmouth, NH 03801

c. Dollar value of contract: $537,540

d. Item procured: Main Feed Pumps for 688 Class Submarines

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor: 26.4% Small Business
0% Small Disadvantaged Business
(2) Goal accepted by Contracting Officer: 26.4% Small Business
0% Small Disadvantaged Business
(3) Goal recommended by SBA: No specific goal recommended by SBA. See g below.
(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources: No additional sources for small business were provided. No sources for small disadvantaged businesses were known or provided.

f. Reason(s) why SBA found the recital of records to be unacceptable:

Not specified by SBA.

g. Other information upon which SBA determined the plan to be unacceptable:

Only information available is from SBA letter of 23 Sep 1980 and consists of the following excerpt:

> "It is noted that the plan is dated July 29, 1980, and contract award was made on August 28, 1980. Please be advised that SBA review is required prior to contract award if the PCR is available. In this case, I was available, and the plan should have been forwarded to me immediately upon receipt. Incidentally, the plan was given to me for review on September 8, 1980.
>
> The plan is considered unacceptable for the following reasons:
>
> 1. The goal to disadvantaged small business is zero percent. Some of the items to be purchased can be acquired from small disadvantaged business firms, and the company should make an effort to improve this area substantially.
>
> 2. The plan does not meet the requirements of DAR 7-104.14(b)(a)(2), (4), (5), and (6).
>
> Since the plan was not made a material part of the contract awarded to Ingersoll-Rand, as required by P.L. 95-507, it is suggested that the above noted deficiencies be corrected."

FACT SHEET

a. Contract Number: Problem Area: 1, 2, 3, 4, 5, 6

N61339-79-C-0128

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$1,783,697

d. Item Procured:

One each, universal helicopter underwater escape trainer, Device 905A.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 85% of total subcontracts for Small Business and 3% for Disadvantaged Business.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: No specific recommendation from PCR.

(d) Information as to whether SBA provided additional SB/SD sources: None provided.

f. Reason (s) why SBA found the recital of records to be unacceptable.

No specific reasons given. SBA PCR simply stated that the recitation of the records was unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

None given.

FACT SHEET

a. Contract Number: Problem Area: 1, 2, 3, 4, 5, 6

N61339-80-C-0007

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$1,981,092

d. Item Procured:

DD 963 engineering control and surveillance system operator trainer, Device 2H5.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 25% to Small Business and 1% to Disadvantaged Business.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: None.

(d) Information as to whether SBA provided additional SB/SD sources: None.

f. Reason (s) why SBA found the recital of records to be unacceptable.

The SBA PCR stated that the contractor had failed to explain the type of records necessary to demonstrate the methods to achieve goals or the extent of acheivement.

g. Other information upon which SBA determined the plan to be unacceptable.

The SBA PCR said that even though the prime contractor provided the name and the responsibilities of the administrator, it was not explained how the responsibilities would be carried out.

FACT SHEET

a. Contractor Number: Problem Area: 1, 2, 3, 4, 5, 6

N61339-79-C-0187

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$2,923,880

d. Item Procured:

Fighting vehicle system brass board configuration model for conduct of higher training.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 6% to Small Business and 0% to Disadvantaged Business.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: None.

(d) Information as to whether SBA provided additional SB/SD sources: None.

f. Reason (s) why SBA found the recital of records to be unacceptable.

No specific reasons given. The SBA PCR simply stated that the records recital was unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

None offered.

FACT SHEET

a. Contract Number: Problem Area: 1, 3, 6

N61339-79-G-0008-0002

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$2,987,204

d. Item Procured:

Modification, installation and testing of Device 14B40 to 14B40A, P3C radar/ECM operator trainer.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 35% to Small Business and 1% to Disadvantaged Business.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: PCR did not recommend goals.

(d) Information as to whether SBA provided additional SB/SD sources: Additional sources were not recommended.

f. Reason (s) why SBA found the recital of records to be unacceptable.

The PCR stated in part that the plan should give a recital of the records that the prime contractor planned to keep and that the prime contractor had not shown intent to maintain the type records necessary to demonstrate the method in which the goals would be met.

g. Other information upon which SBA determined the plan to be unacceptable.

1. The plan failed to address company motivation and training.
2. The plan failed to address areas of special assistance and counseling contemplated for Small Business and Disadvantaged Business.
3. The plan failed to adequately consider business which must be given to Small Business and Disadvantaged Business in the make or buy program.

FACT SHEET

a. Contract Number: Problem Area: 1, 3, 6

N61339-79-G-0008-0003 (order)

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$6,585,000

d. Item Procured:

Modification of P3 training devices to provide data link control and directional command activated sonobouy, inertial navigation system, harpoon aircraft command launch control set and integrated acoustic communications system simulation capability.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 35% to Small Business and 1% to Disadvantaged Business.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: PCR did not recommend goals.

(d) Information as to whether SBA provided additional SB/SD sources: Additional sources were not recommended.

f. Reason (s) why SBA found the recital of records to be unacceptable.

The PCR stated in part that the plan should give a recital of the records that the prime contractor planned to keep and that the prime contractor had not shown intent to maintain the type records necessary to demonstrate the method in which the goals would be met.

g. Other information upon which SBA determined the plan to be unacceptable.

1. The plan failed to address company motivation and training.
2. The plan failed to address areas of special assistance and counseling contemplated for Small Business and Disadvantaged Business.
3. The plan failed to adequately consider business which must be given to Small Business and Disadvantaged Business in the make or buy program.

FACT SHEET

a. Contract Number: Problem Area: 1, 3, 6

N61339-80-C-0026

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$11,193,089

d. Item Procured:

Production of Device 2F109A, F-4E weapon systems training set, including installation and testing.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 40% to Small Business and .7% to Disadvantaged Business.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: None.

(d) Information as to whether SBA provided additional SB/SD sources: None.

f. Reason (s) why SBA found the recital of records to be unacceptable.

The PCR stated that the contractor had not established a plan to keep a source list, or to keep a record of all subcontracts over $10,000. SBA did state,. however, that the prime contractor did have these types of records available.

g. Other information upon which SBA determined the plan to be unacceptable.

The PCR stated that the contractor had not adequately described the relationship between the subcontract administrator and the make or buy committee, i.e., authority of administrator.

FACT SHEET

a. Contract Number: Problem Area: 6

N61339-79-C-0165

b. Contracting Activity:

Naval Training Equipment Center
Orlando, Florida

c. Dollar Value of Contract:

$5,740,000

d. Item Procured:

Production of Device 2F87C (T), P-3C tactices team trainer, including installation and testing.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: N/A

(b) Goal accepted by contracting officer: N/A

(c) Goal recommended by SBA: N/A

(d) Information as to whether SBA provided additional SB/SD sources: N/A

f. Reason (s) why SBA found the recital of records to be unacceptable.

The PCR indicated that the plan as submitted did not adequately discuss the area of records. No specifics were given.

g. Other information upon which SBA determined the plan to be unacceptable.

The PCR stated that even though the administrator was identified as well as his duties, the plan did not indicate who the administrator would be directly responsible to.

FACT SHEET

A. Contract Number - DAAJ09-79-G-0001-GB4U Problem Area: 1 and 6

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $1,124,343.17

D. Items Procured - 18 ea. Swashplate Assy
29 ea. Scissors Assy
10 ea. Gear Box
36 ea. Driveshaft Assy

E. Goals -

1. Contractor Proposed - SB - 78% SDB 2%

2. Accepted by C. O. - SB - 78% SDB 2%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - The contractor indicated that he would furnish reports mutually agreed upon and would participate in studies or surveys as may be reasonably required. SBA stated that reports/studies should be as "required by the federal agency or administrator." It should be noted that the Contracting Officer determined the difference in language to be minor. The contractor clearly set forth his intention to be bound by the letter and spirit of the law regarding records and studies. The Contracting Officer clarified the requirement for the contractor both verbally and in writing.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the information regarding the goals was not detailed enough to give a factual comment regarding feasibility. It is noted that then current regulations did not require this type of detailed information.

FACT SHEET

A. Contract Number - DAAJ09-79-G-0001-GB99 Problem Area: 1 and 6

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $612,287.80

D. Items Procured - 60 ea. Blade Assy

E. Goals -

1. Contractor Proposed - SB - 18% SDB - 2%

2. Accepted by C. O. - SB - 18% SDB - 2%

3. Recommended by SBA - No Recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - The contractor indicated that he would furnish reports mutually agreed upon and would participate in studies or surveys as may be reasonably required. SBA stated that reports/studies should be as "required by the federal agency or administrator." It should be noted that the Contracting Officer determined the difference in language to be minor. The contractor clearly set forth his intention to be bound by the letter and spirit of the law regarding records and studies. The Contracting Officer clarified the requirement for the contractor both verbally and in writing.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the information regarding the goals was not detailed enough to give a factual comment regarding feasibility. It is noted that then current regulations did not require this type of detailed information.

FACT SHEET

A. Contract Number - DAAJ09-79-G-0001-GB45 Problem Area: 1 and 6

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $2,151,610.05

D. Items Procured - 15 ea. Transmission

E. Goals -

1. Contractor Proposed - SB - 28% SDB - 2%

2. Accepted by C. O. - SB - 28% SDB - 2%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - The contractor indicated that he would furnish reports mutually agreed upon and would participate in studies or surveys as may be reasonably required. SBA stated that reports/studies should be as "required by the federal agency or administrator." It should be noted that the Contracting Officer determined the difference in language to be minor. The contractor clearly set forth his intention to be bound by the letter and spirit of the law regarding records and studies. The Contracting Officer clarified the requirement for the contractor both verbally and in writing.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the information regarding the goals was not detailed enough to give a factual comment regarding feasibility. It is noted that then current regulations did not require this type of detailed information.

FACT SHEET

A. Contract Number - DAAJ07-79-G-0001-GB4T Problem Area: 1 and 6

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $1,818,709.66

D. Items Procured - 46 ea. Blade Assy
11 ea. Hub Assy

E. Goals -

1. Contractor Proposed - SB - 40% SDB - 2%

2. Accepted by C. O. - SB - 40% SDB - 2 %

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - The contractor indicated that he would furnish reports mutually agreed upon and would participate in studies or surveys as may be reasonably required. SBA stated that reports/studies should be as "required by the federal agency or administrator." It should be noted that the Contracting Officer determined the difference in language to be minor. The contractor clearly set forth his intention to be bound by the letter and spirit of the law regarding records and studies. The Contracting Officer clarified the requirement for the contractor both verbally and in writing.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the information regarding the goals was not detailed enough to give a factual comment regarding feasibility. It is noted that then current regulations did not require this type of detailed information.

FACT SHEET

A. Contract Number - DAAJ09-79-G-0001-GB4R   Problem Area: 1 and 6

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $1,226,436.50

D. Items Procured - 146 ea. Blade Assy

E. Goals -

1. Contractor Proposed - SB - 42%   SDB - 2%

2. Accepted by C. O. - SB - 42%   SDB - 2%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - The contractor indicated that he would furnish reports mutually agreed upon and would participate in studies or surveys as may be reasonably required. SBA stated that reports/studies should be as "required by the federal agency or administrator." It should be noted that the Contracting Officer determined the difference in language to be minor. The contractor clearly set forth his intention to be bound by the letter and spirit of the law regarding records and studies. The Contracting Officer clarified the requirement for the contractor both verbally and in writing.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the information regarding the goals was not detailed enough to give a factual comment regarding feasibility. It is noted that then current regulations did not require this type of detailed information.

FACT SHEET

A. Contract Number - N00383-30-G-0501-0019 Problem Area: 1, 2, 3, 5

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $912,314.84

D. Items Procured - 120 ea. Blade Spar Extrusion
172 ea. Blade Rod
172 ea. Blade Crank

E. Goals -

1. Contractor Proposed - SB - 19% SDB - 1%

2. Accepted by C. O. - SB - 19% SDB - 1%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - N/A. This was acceptable.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the following coments were provided:

1. Information furnished concerning small and small disadvantaged business goals was not specific enough for SBA to comment on the feasibility of the projections.

2. Plan did not specifically indicate the name of the party responsible for administering the plan. Rather it stated the name of the Small Business Liaison Officer.

3. The description of the company's efforts to afford small and small disadvantaged business an equitable opportunity to compete was not very detailed or specific.

4. Plan did not indicate that the company would cooperate in any studies or surveys as may be required by the contracting agency or SBA.

The above represent the SBA comments based on the plan originally submitted. Subsequently, the SBA comments were discussed with the contractor and the plan was revised.

FACT SHEET

A. Contract Number - N00383-80-G-0501-0038 Problem Area: 1, 2, 3, 5

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $604,000.00

D. Items Procured - 172 ea. Main Rotor Blade Parts Kit

E. Goals -

1. Contractor Proposed - SB - 38% SDB - 0%

2. Accepted by C. O. - SB - 38% SDB - 0%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - N/A. This was acceptable.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the following comments were provided:

1. Information furnished concerning small and small disadvantaged business goals was not specific enough for SBA to comment on the feasibility of the projections.

2. Plan did not specifically indicate the name of the party responsible for administering the plan. Rather it stated the name of the Small Business Liaison Officer.

3. The description of the company's efforts to afford small and small disadvantaged business an equitable opportunity to compete was not very detailed or specific.

4. Plan did not indicate that the company would cooperate in any studies or surveys as may be required by the contracting agency or SBA.

The above represent the SBA comments based on the plan originally submitted. Subsequently, the SBA comments were discussed with the contractor and the plan was revised.

FACT SHEET

A. Contract Number - N00383-80-G-0501-0037 Problem Area: 1, 2, 3, 5

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $4,912,200.91

D. Items Procured - 263 ea. Retention Parts Kit.

E. Goals -

1. Contractor Proposed - SB - 86% SDB - 0%

2. Accepted by C. O. - SB - 86% SDB - 0%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - N/A. This was acceptable.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the following coments were provided:

1. Information furnished concerning small and small disadvantaged business goals was not specific enough for SBA to comment on the feasibility of the projections.

2. Plan did not specifically indicate the name of the party responsible for administering the plan. Rather it stated the name of the Small Business Liaison Officer.

3. The description of the company's efforts to afford small and small disadvantaged business an equitable opportunity to compete was not very detailed or specific.

4. Plan did not indicate that the company would cooperate in any studies or surveys as may be required by the contracting agency or SBA.

The above represent the SBA comments based on the plan originally submitted. Subsequently, the SBA comments were discussed with the contractor and the plan was revised.

FACT SHEET

A. Contract Number - N00383-80-G-0501-0023 Problem Area: 1, 2, 3, 5

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $4,357,778.33

D. Items Procured - 215 ea. Barrel Retention Forging
215 ea. Barrel Retention Forging
263 Long Lead Parts Kit

E. Goals -

1. Contractor Proposed - SB - 40% SDB - 0%

2. Accepted by C. O. - SB - 40% SDB - 0%

3. Recommended by SBA - No recomendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - N/A. This was acceptable.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the following comments were provided:

1. Information furnished concerning small and small disadvantaged business goals was not specific enough for SBA to comment on the feasibility of the projections.

2. Plan did not specifically indicate the name of the party responsible for administering the plan. Rather it stated the name of the Small Business Liaison Officer.

3. The description of the company's effort to afford small and small disadvantaged business an equitable opportunity to compete was not very detailed or specific.

4. Plan did not indicate that the company would cooperate in any studies or surveys as may be required by the contracting agency or SBA.

The above represent the SBA comments based on the plan originally submitted. Subsequently, the SBA comments were discussed with the contractor and the plan was revised.

FACT SHEET

A. Contract Number - N00383-78-A-8502-1251   Problem Area: 1 and 5

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $775,425.00

D. Items Procured - 4 ea. Quick Engine Change Kit

E. Goals -

1. Contractor Proposed - SB - 0%   SDB - 0%

2. Accepted by C. O. - SB - 0%   SDB - 0%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - N/A. This was acceptable.

G. Other information on which SBA determined the plan unacceptable - The plan was not found to be unacceptable. Rather, the following comments were provided:

1. The plan should have stated that the entire amount to be subcontracted is sole source from a large business. The SBA PCR was so advised.

2. The contractor should be advised that the types of records he must mention must demonstrate procedures to comply with the requirement and goals of the plan. The contractor was so advised.

3. The contractor should delete the words "believed necessary" regarding submittal of report. The contractor advised that they will provide report relevant to performance of the subject order. Requests not relevent to the subject order may not be honored.

FACT SHEET

A. Contract Number - N00383-80-C-4325 Problem Area: 1 and 2

B. Contracting Activity - Navy Aviation Supply Office

C. Dollar Value - $750,204.00

D. Items Procured - Housing assembly for the AWG-10A

E. Goals -

1. Contractor Proposed - SB - 75% SDB - 0%

2. Accepted by C. O. - SB - 75% SDB - 0%

3. Recommended by SBA - No recommendation provided. Goals were not found unacceptable.

4. Did SBA provide additional SB or SDB Sources - No.

F. Why SBA found recital of records unacceptable - N/A. This was acceptable.

G. Other information on which SBA determined the plan unacceptable - The plan was not stated to be unacceptable. Improvements in goal support, flow down procedures and administration duties were recommended. Some clarification was obtained and the plan was determined to be acceptable.

FACT SHEET

a. Contract Number: N00140-80-D-6009 Problem Area: 1

b. Contracting Activity: Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar value of contract: $2,674,315.80

d. Item procured: Engineering Services

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor: Small Business 67.5%/Small Disadvantaged Business 2.5%
(2) Goal accepted by contracting officer: Same
(3) Goal recommended by SBA: None
(4) Info as to whether SBA provided additional small business and/or small disadvantaged business sources: None

f. Reason(s) why SBA found the recital of records to be unacceptable.

This plan does not state subcontract dollars nor goals as specifically related to this contract. The plan does not denote the services to be subcontracted.

g. Other information upon which SBA determined the plan to be unacceptable.

N/A

FACT SHEET

a. Contract Number: N00140-80-D-6707 Problem Area: 1

b. Contracting Activity: Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar value of contract: $2,108.370.61

d. Item procured: Engineering Services

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor:
(2) Goal accepted by contracting officer:
(3) Goal recommended by SBA:
(4) Info as to whether SBA provided additional small business and/or small disadvantaged business sources:

f. Reason(s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

The SBA PCR said the contractor should state a maximum goal. Inasmuch as this is a time and materials contract with materials costing less than 1% of the total contract price, the subcontracting plan was waived by the PCO.

FACT SHEET

a. Contract Number: N00140-79-G-9530-0008 Problem Area: 1

b. Contracting Activity: Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar value of contract: $2,343,353

d. Item procured: Acoustic Range Tracking System Installation

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor: 71 + 1%
(2) Goal accepted by contracting officer: Same
(3) Goal recommended by SBA: None
(4) Info as to whether SBA provided additional small business and/or small disadvantaged business sources: None

f. Reason(s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

With regard to the percent specified for Small Disadvantaged Business, the plan failed to indicate what services/commodities will be purchased. Also, this percentage should be better prorated with the percentage provided Small Business.

FACT SHEET

a. Contract Number: N00140-79-G-9518-0005 Problem Area: 1

b. Contracting Activity: Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar value of contract: $1,250,000

d. Item procured: Engineering Services

e. Where goal was found unacceptable by SBA provide:

(1) Goal recommended by prime contractor:
(2) Goal accepted by contracting officer:
(3) Goal recommended by SBA:
(4) Info as to whether SBA provided additional small business and/or small disadvantaged business sources.

f. Reason(s) why SBA found the recital of records to be unacceptable.

g. Other information upon which SBA determined the plan to be unacceptable.

This document was originally issued as an unpriced order on 27 December 1979. The proposed subcontracting plan was received 22 April 1980 and the order was completed 3 December 1980, prior to SBA's review.

FACT SHEET

a. Contract Number: N00140-78-G-6021-0052 Problem Area: 1

b. Contracting Activity: Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar value of contract: $581,000

d. Item procured: Engineering services in support of the OL-218/DLT and AN/BQR-5 STASS.

e. Where goal was found unacceptable by SBA provide:

See g. below

f. Reason(s) why SBA found the recital of records to be unacceptable.

N/A

g. Other information upon which SBA determined the plan to be unacceptable.

Reasons are unknown. The services were performed outside of the U.S. and no subcontracting opportunities existed. Our records show that the SBA PCR concurred.

FACT SHEET

a. Contract Number: Problem Area: 1

N00140-76-C-8093, P00006

b. Contracting Activity:

Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar Value of Contract:

$1,492,511

d. Item Procured:

Engineering Services in support of Towed Array Technology.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 50% G & A breakout; 0% Disadvantaged.

(b) Goal accepted by contracting officer: Same.

(c) Goal recommended by SBA: None.

(d) Information as to whether SBA provided additional SB/SD sources: None provided.

f. Reason (s) why SBA found the recital of records to be unacceptable.

0% for small and disadvantaged businesses cited.

g. Other information upon which SBA determined the plan to be unacceptable.

None recorded.

-Contract complete.

FACT SHEET

a. Contract Number: Problem Area: 1

N00140-80-C-6042

b. Contracting Activity:

Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar Value of Contract:

$6,606,948

d. Item Procured:

Integrated Logistics Support for MK-48 Torpedo.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: 0%

(b) Goal accepted by contracting officer: 0%

(c) Goal recommended by SBA: None.

(d) Information as to whether SBA provided additional SB/SD sources: None provided.

f. Reason (s) why SBA found the recital of records to be unacceptable.

None given.

g. Other information upon which SBA determined the plan to be unacceptable.

None given other than 0% not acceptable.

-Contract ended 31 May 81.

-No subcontracting opportunities existed. The plan was incorporated stating this.

FACT SHEET

a. Contract Number: Problem Area: 5 and 6

N00140-79-G-9515-0004

b. Contracting Activity:

Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar Value of Contract:

$6,380,000

d. Item Procured:

Turbine Pump Ejection System (9 each).

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: * See below.

(b) Goal accepted by contracting officer: * See below.

(c) Goal recommended by SBA: * See below.

(d) Information as to whether SBA provided additional SB/SD sources: * See below.

f. Reason (s) why SBA found the recital of records to be unacceptable.

N/A

g. Other information upon which SBA determined the plan to be unacceptable.

N/A

* Plan has been found acceptable, but has not yet been incorporated since definitization of Unpriced Order has not yet been accomplished. Contractor is complying with plan.

FACT SHEET

a. Contract Number: Problem Area: 3, 4, 5, 6

N00140-80-C-6204

b. Contracting Activity:

Navy Regional Contracting Office Detachment
Newport, RI

c. Dollar Value of Contract:

$1,692,000

d. Item Procured:

Engineering Technical Management Services in support of Major Submarine Combat Control Programs.

e. Where goal was found unacceptable by SBA provide:

(a) Goal recommended by prime contractor: $1,460

(b) Goal accepted by contracting officer: $1,460

(c) Goal recommended by SBA: None recommended.

(d) Information as to whether SBA provided any additional SB/SD sources: None supplied.

f. Reason (s) why SBA found the recital of records to be unacceptable.

The plan did not adequately address the last five elements of PL95-507.

g. Other information upon which SBA determined the plan to be unacceptable.

Not known.

NOTE: No opportunities for subcontracting existed except in G & A expenses.

Chronological Index of COC Memoranda

Memo for Admiral Whittle of 22 Aug 1980

CNM ltr Ser 00/0246 of 13 Mar 1981

MAT 00D1 memo of 25 Mar 1981

MAT 08C12D/JCM ltr of 30 Mar 1981

Office of Chief of Naval Operations memo Ser 906D1/328381 of 27 Apr 81 w/encl

NAVMAT 08C12D/JCM memo of 30 Apr 1981 w/encls

NAVMAT 08C12F/GO memo of 20 May 1981 w/encls

OSN, Director, SADBU memo of 22 May 1981

NAVMAT 08C12F/GO ltr of 29 May 1981

OSN, Director, SADBU memo of 8 Jun 1981

NAVMAT 08C12F/GO ltr of 29 Jun 1981

Enclosure (3)

22 AUG 198

MEMORANDUM FOR ADMIRAL WHITTLE

Subj: Navy Acceptance of SBA Certificates of Competency and 8(a) Recommendations

Question: Is the Navy required to accept SBA's Certificates of Competency (COC) as conclusive as to the responsibility of a prospective contractor? (In brief, the term "responsibility" relates to a prospective contractor's ability to perform, and an affirmative determination is required before award.)

Answer: Yes. SBA has statutory authority under P.L. 95-89 to certify the competency of any small business concern as to all elements of responsibility including but not limited to, capability, competency, capacity, credit, integrity, perseverance, and tenacity except regulatory requirements under the jurisdiction of other Federal agencies. Contracting officers shall accept SBA field COC's as conclusive of a prospective contractor's responsibility, unless the contracting officer has substantial doubt as to the concern's ability to perform, in which case appeals can be pursued. Final determinations, resulting from appeals to SBA COC's, are made by the SBA Headquarters, Associate Administrator and if affirmative, they are considered conclusive.

Discussion: Since the SBA has final authority to issue the COC, the SBA effectively removes all objections and obstacles to the award of the contract to the certified small business concern. The contracting officer has no alternative but to award unless the agency cancels the requirement. Cancelling the requirement after a COC has been issued is highly unusual and would definitely be subjected to intense scrutiny by the SBA, GAO and/or probably the Courts.

Question: Can the SBA direct the award of a contract to a small business concern that has been certified by the SBA through issuance of a COC.

Answer: No. However the SBA, per the discussion above, makes it difficult not to award to the certified firm.

Question: Is the Navy required to accept an SBA recommendation to set-aside a requirement for contracting under Section 8(a) of the Small Business Act?

Answer: No. Under Section 8(a)(1)(A) of the Small Business Act the activities' contracting officer is "...authorized in his discretion..." to set-aside a contract to the SBA under such terms

Subj: Navy Acceptance of SBA Certificates of Competency and 8(a) Recommendations

and conditions as may be agreed upon between SBA and the contracting officer. (Note: The SBA is awarded a contract on behalf of a small disadvantaged firm.) Whenever SBA and the contracting officer fail to agree on the terms and conditions, the matter is submitted for final determination to the Secretary in the case of the Navy by the Administrator, SBA.

Discussion: When the contracting officer and SBA disagree on the initial set-aside decision the issue can be raised to the Secretarial level. The final decision whether to set-aside rests with the Navy.

As an aside, P.L. 95-507 added Section 8(a)(1)(B) to the Act. This addition gave the SBA exclusive unilateral authority to select (i.e. reserve) any requirement for which they certify themselves as competent and responsible to perform, for use under the 8(a) program, but only from such agency as designated by the President. The Army was designated by the President on 10 January 1979 for this two year 8(a) pilot program. Under this pilot program, if the SBA and contracting officer fail to agree on the terms and conditions under which the contract is to be let, it is referred to the head of the requiring agency. The agency heads has the exclusive authority to "...establish the terms and conditions upon which such procurement contract may be let..." to the SBA, but cannot override SBA's selection of the particular requirement for the 8(a) program nor the COC determination regarding the 8(a) firm to meet the terms and conditions. This pilot program expires on 30 September 1980.

If this program is extended by the Congress, there is the possibility the Navy could be involved in a similar program beginning in FY 81.

J. S. SANSONE
ASSISTANT DEPUTY CHIEF OF NAVAL MATERIAL
(CONTRACTS AND BUSINESS MANAGEMENT)

Blind copy to:
MAT 08
MAT 08C
MAT 08C1
MAT 08C12
MAT 08C12D
MAT 09
NAVMAT FILES

Prep. by: Mr. J. Marshall, MAT 08C12D, X23558
Typed by: C. Mouser, 8/15
Revised by Mr. B. Williams, MAT 08C1B, X23553
Retyped by: Carmel Barbato 8/19, 8/20/80

DEPARTMENT OF THE NAVY
HEADQUARTERS NAVAL MATERIAL COMMAND
WASHINGTON D C 20360

IN REPLY REFER TO

Ser 00/0246
13 March 1981

Mr. Roger H. Jones, Acting Administrator
SBA Headquarters
1441 L Street, NW
Washington, DC 20416

Dear Mr. Jones:

In early January 1979, the Naval Sea Systems Command (NAVSEA) issued an Invitation For Bids for 14 fifty-foot steel workboats. The acquisition was a 100% Small Business Set-Aside. Bids were opened in March 1979, with Potomac Iron Works, Inc., (P.I.W.I.) Hyattsville, MD, being the low bidder. P.I.W.I. is a steel fabricator specializing in ornamental iron, steel staircases, and other steel structures and had no prior experience in the boatbuilding industry.

In April 1979, Defense Contract Administration Services Management Area Baltimore and NAVSEA conducted a pre-award survey of P.I.W.I. The report recommended non-award to P.I.W.I. due to financial and capacity deficiencies. The Small Business Administration (SBA) Philadelphia conducted a review of P.I.W.I. in May 1979. A meeting was held with SBA Philadelphia later that month and, subsequently, SBA Philadelphia recommended to SBA Washington that a Certificate of Competency (COC) be issued to P.I.W.I. On 11 June 1979, NAVSEA representatives met with SBA Washington to appeal the proposed issuance of a COC. On 20 June 1979, SBA Washington issued a COC for P.I.W.I. This decision was not subject to further appeal and NAVSEA, as required by the Defense Acquisition Regulation, awarded Contract N00024-79-C-2667 to Potomac Iron Works, Inc. On 18 February 1981, 20 months after award, and without any boats completed or delivered, the Naval Sea Systems Command terminated Contract N00024-79-C-2667 for default, due to the contractor's poor financial condition and lack of progress.

Four of these craft were for Destroyer Tenders, AD43 and AD44, presently under construction. As the work boats are required for testing of the tenders, two craft were diverted from other assets to permit the timely testing of AD43.. We are still trying to locate two craft to test AD44. Ten boats were for issuance to operational Navy ships, naval stations, and shipyards to replace twenty-year-old craft.

These naval activities are waiting for their boats, as late delivery or non-delivery threatens their military mission. We must now repurchase these craft with no hope of retrieving the time already lost or the price differential that may have to be paid.

We certainly support the Small Business Program, but need a stronger voice in the outcome of future COC actions, so that our ability to perform our assigned mission is not jeopardized. Your cooperation will be appreciated.

Sincerely,

AJ Whittle Jr

A. J. WHITTLE, JR.
Admiral, U.S. Navy
Chief of Naval Material

Blind copy to:
MAT-08C

OPTIONAL FORM NO. 10
JULY 1973 EDITION
GSA FPMR (41 CFR) 101-11.6
UNITED STATES GOVERNMENT

Memorandum

TO : MAT 08C

DATE: 25 Mar 81

FROM : MAT OOD1

SUBJECT: Request from Ms. Gilleece, Counsel, HASC, for info on contractor issued certificates of competency (COC)

Encl: (1) CNO memo ser 906D1/328199 of 24 Mar 81

1. Enclosure (1) is forwarded for your action. Please note that information is to be coordinated with ASN(MRA&L).

2. Due to MAT OOD1: COB 24 Apr 81

Very respectfully,

Dottie
Dorothy L. Myers
Congressional Relations Assistant

5010-110

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

DEPARTMENT OF THE NAVY
OFFICE OF LEGISLATIVE AFFAIRS
WASHINGTON, D. C. 20350

IN REPLY REFER TO
LA-5-159:arm
24 March 1981

MEMORANDUM FOR THE CHIEF OF NAVAL OPERATIONS (OP-906)

Subj: Congressional Request for Information

1. Ms. Mary Ann Gilleece, Counsel, House Armed Services Committee, has requested information on the Navy's experience in dealing with contractors who have been issued a Certificate of Competency (COC) by the Small Business Administration (SBA). The specific information requested is as follows:

a. Identify specific instances when contractors issued COC's by the SBA were unable to perform satisfactorily under the contract. This includes those instances when the SBA notified the contracting officer that a COC would be issued.

b. What actions did the contracting activity take when it was apparent that the contractor was unable to perform the contract in a satisfactory manner?

c. What was the effect of the contractor's inability to perform satisfactorily on the Navy's ability to meet its requirements?

d. What changes to COC procedures would be beneficial to the Navy's ability to meet its requirements.

2. It is requested that this information be cleared by the Director of Acquisition and Contract Policy, ASN(MRA&L).

3. It is requested that the information be provided by 1 May 1981.

4. Captain Robert L. Whitmire, X-73212, is the OLA Action Officer.

[illegible] [illegible]
3/24 1037
DATE TIME

T. A. ALMSTEDT, JR.
Captain, U.S. Navy
Deputy Chief

DEPARTMENT OF THE NAVY
HEADQUARTERS NAVAL MATERIAL COMMAND
WASHINGTON D.C. 20360

IN REPLY REFER TO:
08C12D/JCM

MAR 3[illegible] 1981

From: Chief of Naval Material

Subj: Congressional Request for Information

Encl: (1) OLA memo LA-5-159:arm of 24 Mar 1981

1. Enclosure (1) is forwarded for action. The specific information requested, regarding experience in dealing with contractors who have been issued a Certificate of Competency (COC) by the Small Business Administration (SBA), should be received by CHNAVMAT (MAT 08C1) no later than COB on 20 April 1981. Negative replies are requested.

2. Address questions to Mr. John Marshall, MAT 08C12D, phone 692-3558/9.

Wagner
G. L. WAGNER
By direction

Distribution:
COMNAVAIRSYSCOM (AIR 02)
COMNAVELEXSYSCOM (ELEX 02)
COMNAVFACENGCOM (FAC 02)
COMNAVSEASYSCOM (SEA 02)
COMNAVSUPSYSCOM (SUP 02)
ONR (600)
ADPSO
MSC (M-10)

Copy to:
ASSTSECNAV MRAL (ACP)
OPNAV (OP-906)

MEMORANDUM FOR Chief of Naval Material

Subj: Congressional request for a briefing

Encl: (1) OLA Memo LA-[illegible] of 21 April 1981

1. Attached is a request from Ms. Mary Ann Gilleece, counsel of the House Armed Services Committee for a meeting on the Navy's experience in dealing with contractors who have been issued a certificate of competency.

2. It is requested that the name of the briefing officer, and the names of the backup personnel, if any, be provided to OP-090 by 1200 Thursday, 30 April 1981; after the coordination in enclosure (1) has been completed

Very Respectfully
F. J. BARNES, III
By direction of Director
General Planning &
Programming Division

Copy to:
OP-090
OP-90
CHNAVMAT (NMAT-00D1)

[illegible]
[illegible]
WASHINGTON [illegible]

[illegible]

MEMORANDUM FOR THE CHIEF OF NAVAL OPERATIONS (OP-[illegible])

Subj: Congressional request for meeting

1. Ms. Mary Ann Gilleece, Counsel, House Armed Services Committee, has requested a meeting with representatives of each service to discuss the Navy's experience in dealing with contractors who have been issued a Certificate of Competency (COC) by the Small Business Administration, and performed unsatisfactorily.

2. It is requested that selection of a Navy representative be coordinated with Mr. Alfred Volkman (ASN(M,RA&L)).

3. The meeting is scheduled for 1400 Monday, 4 May 1981, in room 233[illegible], Rayburn House Office Building.

4. LCDR Cole Jeffries, extension 54995, is the OLA action officer.

T. A. ALMSTEDT, Jr.
Captain, U. S. Navy
Deputy Chief

DEPARTMENT OF THE NAVY
HEADQUARTERS NAVAL MATERIAL COMMAND
WASHINGTON, D.C. 20360

IN REPLY REFER TO
08C12D/JCM

APR 30 1981

MEMORANDUM FOR MAT 00D1

Subj: Congressional Request for Information

Ref: (a) Your memo of 25 Mar 1981, same subject

Encl: (1) Listing of instances where contractors were issued COCs by the SBA but were unable to perform satisfactorily under the contract
(2) Recommended changes to COC procedures

1. Enclosures (1) and (2) are forwarded in response to reference (a). This information has been coordinated with ASSTSECNAV (MRAL).

G L Wagner
G. L. WAGNER
By direction

Copy to:
OSD (Director, SADBU)
ASSTSECNAV (MRAL)(ACP)

bcc:
COMNAVSUPSYSCOM (SUP 02)
MAT 08C
MAT 08C1
MAT 08C12

DEPARTMENT OF THE NAVY

Instances Where Contractors Were Issued COC's by the SBA But Were Unable to Perform Satisfactorily Under the Contract

Naval Sea Systems Command, Washington, D.C.

1. a. Potomac Iron Works, Inc., Hyattsville, MD, N00024-79-C-2667, $2,603,566.00, acquisition of 14 fifty-foot workboats, awarded 27 Jul 1979.

b. Contract was terminated for default on 18 Feb 1981.

c. Ten of the 14 boats were to replace existing deteriorating workboats. The remaining four boats were to be put on under-construction Destroyer Tenders. The result is the diversion of other workboats from original assignments to meet Destroyer Tender requirements, and the dedication of additional resources to maintain older boats.

2. a. Polaris Marine Corp., Everett, WA, N00024-80-C-2103, $8,271,663.00, acquisition of 75 Landing Craft, Personnel, Large (LCPL), awarded 30 Jan 1980.

b. Contract is proceeding, however, contractor has failed to make satisfactory progress towards contract delivery dates. Ultimate delivery is expected, although contractor has engaged in several actions that attempt to fix blame for late delivery on Navy specifications and actions.

c. Impact on Navy's ability to meet its requirements has been to require additional expenditure of funds to maintain existing deteriorating craft.

Navy Ships Parts Control Center, Mechanicsburg, PA

3. a. Herley Industries, four each rotary couplers, $28,000.00. Required Delivery Date (RDD) 28 Oct 80, shipped 28 Jan 81.

b. Delivery schedule extended for consideration.

c. No significant effect on Navy readiness.

4. a. Alton Iron Works, 98 each check valve cap, $59,000.00, RDD 23 Mar 81, problems obtaining specifications and resolving technical difficulty.

b. PCO attempting to establish new RDD for consideration.

Enclosure (1)

c. Inventory of three each currently adequate to satisfy critical requirements but lower priority demands for two caps are backordered and quarterly demands of three will not be satisfied in the immediate future.

5. a. REEM Engineering, 2679 shaft shoulders, $25,000.00, 1613 due 30 Oct 80, 1066 due 26 Dec 80.

b. ACO extended RDD of entire quantity to 31 Mar 81 for consideration. Material not scheduled to ship before 30 May 81.

c. Inventory of 80 each currently adequate to satisfy urgent requirements but 1602 are backordered and quarterly demand is 460.

6. a. Herley Industries, 96 each coupler, $140,000.00, first articles due 16 Oct 80 with production units required 17 Oct 81.

b. First article, plating specifications and delivery schedules being resolved by ACO.

c. Inventory of two each backorders for 30 each and quarterly demand of eight allows probable coverage for critical requirements if deliveries are not extended inordinately.

7. a. Kaybar Corporation, six each module assembly, $31,000.00, first article due 20 Jan 81, production units 2 Nov 81. Vendor problem with a switch.

b. ACO attempting to extend FA to 15 Jun 81 with consideration of earlier delivery for production units.

c. Inventory should satisfy requirements until fourth quarter CY 81.

8. a. LL Rowe, 616 each connector receptacle, $26,000.00, RDD 100 per month Dec 80 thru Apr 81; 73 shipped Jan 81 and 10 shipped Mar 81. Contractor plans to ship 100/month until completion.

b. ACO negotiating extended delivery for consideration.

c. Inventory of 11 currently adequate to satisfy urgent requirements but 184 are backordered and quarterly demand is estimated at 31.

9. a. Herley Industries, 17 each waveguide horns, $12,000.00, first article due 22 Aug 80, submitted 9 Oct 80, disapproved 12 Jan 81, rescheduled 30 Apr 81.

b. Awaiting resubmission of first article with production units to follow FA approval by seven months.

c. Inventory of one can satisfy a single urgent requirement. Backorders total 28 and quarterly demand is eight.

10. a. AIRFLO Instrument Company, 624 each rotary switch, $59,000.00, first article submitted on time but disapproved.

b. Contractor will respond to FA disapproval and provide resubmission date by 1 May 81.

c. Inventory of 32 each currently adequate to satisfy urgent requirements but 179 are backordered and quarterly demand is 258.

For the parts listed in items 3 through 10 above, the overall effect of unsatisfactory contractor performance is inadequate stock support for anything more than a minimum number of urgent requirements. Surveillance of delinquent contracts and backordering requirements create a significant administrative burden.

Naval Regional Contracting Office, Philadelphia, PA

11. a. J & J Transfer Co., Inc., Great Barrington, MA, Contract N00140-79-C-0485 for Moving and Storage of Household Goods: The contractor had periodically been unable to meet the delivery schedules, had failed to store and safeguard personal property correctly. His warehouse capacity was inadequate to support his bid guaranteed capability.

b. A warning letter was issued in Sep 1979, setting forth 22 separate deficiencies in performance, followed by a "Show Cause" letter in Oct 1979. Performance improved.

c. The requiring activity was adversely affected by the poor performance because it was unable to rely on the contractor, and when performance did occur, it received many complaints of unreasonable delay.

a. Allison Mfg. Co., Barrington, IL, Contract N00140-79-C-2563 for Electronic Card Assemblies and Error Circuit Board Assemblies: The contract was let in Jun 1979, with delivery by Jan 1980. To date, delivery has not been made. The contractor had been rejected on survey for his poor delivery record.

b. Several delivery extensions were negotiated. Currently, DCASMA Chicago is considering a termination for default.

c. The failure of the contractor to deliver has seriously affected the Ground Support Equipment program of the requiring activity, forcing them to search for alternate sources at this late date.

13. a. L. L. Rowe Co., Woburn, MA, Contract N00140-79-C-0547 for Electrical Inserts: The contract was awarded in Jul 1979, with delivery by Feb 1980. The contractor received a COC after being determined nonresponsible based on an extensive list of delinquent contracts. As of Apr 1981, the contractor has not completed deliveries.

b. Extensions for consideration have been negotiated.

c. The requiring activity has had to negotiate purchase orders for hold-over quantities or the materials.

14. a. Immco, Anaheim, CA, Contract N00140-79-C-1016 for Spring Assemblies: The contractor delivered six months late, claiming discrepancies in government specifications and nonavailability of materials required by the contract drawings.

a. Although requested, no monetary or delivery relief was granted; the schedule was extended without consideration to preserve the government's right to terminate. Meetings were held with the contractor, ACO, and the requiring activity to assist in resolving production problems.

c. This procurement carried a DX rating for the TRIDENT program, but no program delays are anticipated.

15. a. Greenwood Associates, Phila., PA, Contract N00140-80-D-0747 for Enlisted Reserve Recruitment Advertising in Newspapers: The contractor was responsible for placing newspaper ads for Navy recruiting. It failed to make full payments to numerous newspapers for the ads placed.

b. The PCO and the requiring activity have attempted to rectify the situation by requesting the contractor to advise what actions it is taking to pay these outstanding accounts. In addition, the PCO has advised the newspapers that the failure to submit payment is not the fault of the Navy or of the contractor that currently holds the contract for these services.

c. The new contractor has suffered an adverse impact because the affected newspapers are refusing his ads based on the performance of the previous contractor.

Naval Regional Contracting Office, Washington, D.C.

16. a. Tilbury, Inc., Honolulu, Hawaii, N00600-79-C-0923, $4,750,421.00, operation and maintenance of radio transmitting facility at Lualualei, Hawaii. COC was issued by SBA on 23 Mar 1979 after unfavorable pre-award survey for inadequate financial capability.

b. Contractor experienced chronic financial problems: difficulty meeting payrolls, failure to pay in accordance with DOL wage determination, inability to finance spare parts for required maintenance. Contracting Officer and requiring activity technical experts met with contractor on several occasions to discuss deficiencies. Continued poor performance resulted in "cure" and "show cause" letters. Contract was terminated for default.

c. Inadequate Fleet communications via Naval Communications Area Master Station, Eastern Pacific (NAVCAMS EASTPAC). Navy ultimately had to hire temporary civilians and muster military personnel to restore adequate communications.

17. a. Essex Electro Engineers, Bensenville, IL, N00600-80-C-3000, $63,100.00, Power Supply Rectifiers. COC issued 10 Oct 1979 after negative pre-award survey cited unsatisfactory production capability, labor resources, performance record and ability to meet delivery schedule.

b. Repeated requests for amplification and clarification were accepted by DCASMA Chicago as adequate excuse for delay. Due to ambiguity in PQA delegation, nonconforming supplies were shipped to NAVSHPYD Charleston, which is unable to use the rectifiers.

c. Because effective shore power sources are not available, ships scheduled for overhaul/tests at Charleston were diverted to other shipyards, increasing costs and causing delays.

Naval Supply Center, San Diego, CA

18. a. Surveillance Systems, Costa Mesa, CA, Contract N00244-81-C-0269 in Jan 1981 for UHF antenna couplers priced at $76,968.00, COC by SBA San Francisco. The COC followed a negative pre-award survey performed by DCASMA Santa Ana which reported unsatisfactory findings in the areas of production capability, financial capability, performance record and ability to meet required schedules. Contractor's performance has been unsatisfactory to date in that the required first article was submitted approximately 5 weeks late. Government testing of the first article is presently underway.

b. A revised delivery schedule was negotiated for consideration.

c. The requiring activity, Naval Electronics Systems Engineering Center, San Diego, is unable to assess the impact of late delivery pending completion of testing.

Naval Air Engineering Center, Lakehurst, NJ

19. a. During the last 12 months, four contractors were unable to perform satisfactorily under the initial delivery schedule.

b. One contractor has filed for Chapter 11, Reorganization; one completed delivery 42 days late; and for two, the initial delivery dates were extended five months to May and August 1981 respectively.

c. There were no determinable adverse effects on the Navy's ability to meet its requirements.

Naval Avionics Center, Indianapolis, IN

20. a. Wincom Corporation, N00163-80-C-0044, multiplexers, awarded 20 Nov 1979, after issuance of COC. Delivery of first articles due 18 Jun 80.

b. Three modifications extended delivery to 30 Oct 1980 on the first item. Subsequently rejected 9 Dec 1980. Delivery for item two extended from 27 Aug 80 to 27 Feb 81 with no delivery forthcoming. NAC engineering personnel have visited contractor three times since award to provide assistance. Latest action from the firm is a letter requesting deviations, to such an extent that items will probably not function. Presently being evaluated.

c. Multiplexers are required for upgrade of ARIES EP3 Aircraft. Without these devices the effectiveness of this aircraft is significantly reduced.

Naval Ordance Station, Louisville, KY

3

21. a. SBA Seattle issued two COCs on 31 Oct 79 after DCAS had recommended no award following pre-award surveys, resulting in award of two contracts to Delphi Industries, Boise, ID; SBA New York issued a COC on 11 Oct 79 after DCAS had recommended no award following a pre-award survey, resulting in award of one contract to Welmetco, Ltd., Melville, NY.

b. The above contracts were subsequently terminated for default as a result of failure to perform.

c. The failure to perform and resulting defaults delayed delivery of containers critically required for use with the HARPOON missile program which caused additional cost to the Navy.

Naval Weapons Support Center, Crane, IN

22. a. Coyota Cartridge, Inc., Hollister, CA, N00164-80-C-0043 for electric detonators awarded 18 Dec 79 with 90 days delivery. Delinquent. COC issued.

b. Extended delivery 75 days with consideration. Vendor unable to meet modified delivery schedule by another 60 days--no further penalty assessed.

c. Noninjurious--as the Navy Laboratory at Crane used a portion of its available detonators on a replenishment basis in proceeding with the test schedule of boosters for the Army.

Naval Ordnance Station, Indian Head, MD

23. a. Forrest Scientific, Inc., North Lindenhurst, NJ, was issued Contract N00174-79-C-0380 as a result of a SBA COC on 18 Sep 1979. Original delivery was due 17 Apr 1980.

b. As a result of the delivery of rejects and late return of reject material, the delivery of 5,283 of 25,000 primer retainers has been extended until 7 Jun 1981.

c. There has been no adverse effect as a result of this delay.

Naval Facilities Engineering Command, Mid-Pacific and Western Divisions

24. a. N62471-79-1516. Repair/Replace Sewer Line NAVMAG, IL, work was completed 43 days late.

b. Pressure was applied through the contract administrative staff to assure completion.

25. a. Euphrates, N62474-80-C-9301, elevator modifications for handicapped at NAVHOS Camp Pendelton, CA, COC was issued by SBA notwithstanding fact that Termination For Default against contractor was being processed under another contract.

b. Contract was terminated for default 17 Nov 1980.

c. Elevator modifications were delayed for seven months

Recommended Changes to COC Procedures

The Contracting Officer should have the final authority for making responsibility determinations for all prospective contractors, including small businesses. Except for reasons of public exigency, the Contracting Officer will seek the advice and opinion of the SBA prior to making a final decision of nonresponsibility for small business concerns. Under emergent circumstances, the Chief of the Contracting Office will be required to make an exigency determination, and a copy of such determination will be provided to the SBA.

provide # of COC's issued

Enclosure (2)

(SAF/SB)

1 JUL 1981

MEMORANDUM FOR THE ACTING DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION POLICY)

SUBJECT: Contracts Not in Compliance with Public Law 95-507 (Your Memo, 16 June 1981) - INFORMATION MEMORANDUM

A summary of the results of our review, prepared for use in the June 25, 1981 hearing before the Subcommittee on General Oversight, House Committee on Small Business, is attached.

Our review revealed that the Small Business Administration (SBA) in only a few cases provided rationale to support their assertion that proposed goals were too low. In some cases, there was no indication that SBA considered the goals to be unacceptable. We also found that the SBA report frequently cited elements as deficient, such as name/duties of subcontracting plan administrator, when these elements were clearly satisfied in the plan.

The report you requested is included as attachment 2.

SIGNED

DONALD E. RELLINS
Director, Office of
Small & Disadvantaged
Business Utilization

2 Atch
1. Summary of Results of Review for House Hearing
2. Report

FACT SHEET

SBA REPORT TO CONGRESS ON P.L. 95-507 IMPLEMENTATION

SBA is required (P.L. 95-507, Section 8(d)(11) of Small Business Act) to submit to both the Senate and House Committees on Small Business, a report on subcontracting plans found acceptable by any Federal agency but which, in SBA's opinion, did not contain maximum practicable opportunities for small and disadvantaged business concerns:

SBA's report covering FY 1980 identified 266 deficient plans - 40% Air Force
- . 6 categories of plan deficiency
    - goals
    - name/duties of subcontracting program administrator
    - description of subcontracting effort
    - flow down subcontracting provisions
    - reports and studies recital
    - records recital

Air Force analysis of report deficiencies
- . Of total deficiencies (excluding goal deficiencies)
    - 20% - judgemental differences of opinion
    - 8% - SBA's Procurement Center Representative (PCR) reviewed plan and had no comments
    - 38% - final plan included all required information
    - 16% - final plan incorporated PCR recommendations

- . Of deficiencies associated with goals
    - 14% - PCR reviewed plan and had no comments
    - 7% - judgemental differences of opinion
    - 73% - PCR objected to goals but offered no goals or rationale
    - 3 instances - PCR recommendations reflected in final plan
    - 1 instance - SBA criticism valid

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS OGDEN AIR LOGISTICS CENTER (AFLC)
HILL AIR FORCE BASE, UTAH 84056

15 MAY 1981

REPLY TO ATTN OF: PM

SUBJECT: Public Law 95-507, Subcontracting Plans (Your Ltr, 30 Apr 1981)

TO: AFLC/PMP

1. The information requested by subject letter is attached. I note that in some cases the file review has indicated that no corrective action was taken by the PCR although the attachment to subject letter [illegible] problem.

2. [illegible] the file reviews [illegible] no recommended goals or [illegible] the rationale or documentation as to what the goals should be.

[illegible], Actg Deputy Director
Directorate, Contracting & Mfg

1 Atch
Subcontract Plan Reviews (40)

Electro Mail
DATE 15 May 81 TIME 2:15
OPERATOR PAGES 58

AFLC - Lifeline of the Aerospace Team

SUBCONTRACT PLAN REVIEW

1. Contractor: Olin Corp, Winchester Group, 707 Berkshire Ave, East Alton IL 62024.

2. Contract Number: F42600-80-C-4260.

3. Problem Area: Problem area was No. 1.

4. Assessment of Plan (include comments as to validity of SBA's findings): Initial plan was submitted and determined unacceptable by SBA. During negotiations the contractor submitted two revisions to the plan to make it acceptable.

5. Corrective Action Indicated: Contractor submitted two revisions to the plan before acceptability was determined. The final plan included in the contract contained the two revisions.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Contractor's proposed goals were small business $100,290.16 and for small disadvantaged business the goals were $15,997.41.

b. SBA Recommended Goals: The goals were not specifically challenged. The method of developing goals was challenged.

c. Negotiated Goals: Small business $100,290.16, small disadvantaged business $15,997.41.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: SBA did not recommend goals.

SUBCONTRACT PLAN REVIEW

1. Contractor: Honeywell Inc, Defense Sys Div, 600 2nd St NE, Hopkins MN 55343.

2. Contract Number: F34601-79-G-0220-QP13.

3. Problem Area: Problem areas were No. 1, 2, and 6.

4. Assessment of Plan (include comments as to validity of SBA's findings): Initial plan was submitted and determined unacceptable. During negotiations, contractor was requested to submit additional information to change the unacceptable elements. SBA's findings on problem area No. 1 was based on the fact the goals were given in percentage and not dollar amounts. The dollar amounts could be determined.

5. Corrective Action Indicated: Contractor submitted an updated plan that corrected all areas of unacceptability.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Contractor's proposed goals were not challenged. The goals were stated in percentages and did not include dollar amounts. The goals for small business were $728,626.50 and for small disadvantaged business the goals were $6,245.37.

b. SBA Recommended Goals: None.

c. Negotiated Goals: Small business $855,829.63, small disadvantaged business $7,354.79.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: SBA did not recommend goals.

SUBCONTRACT PLAN REVIEW

1. Contractor: Varian Associates Incorporated, Palo Alto Microwave Tube Division, 611 Hanson Way, Palo Alto CA 94303.

2. Contract Number: F42600-80-C-5044.

3. Problem Area: Goals for small/small disadvantaged businesses subcontracting, and record recitals.

4. Assessment of Plan (include comments as to validity of SBA's findings): The PCO and the OO-ALC/SADBUS determined that the subcontract plan to be adequate after the company had submitted their revision number 2 to the subcontract plan number TS-80-40762.

5. Corrective Action Indicated: None required.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: SBA is $85,790.00 and SDB is $858.00.

b. SBA Recommended Goals: No goals were set.

c. Negotiated Goals: Small business is $85,790.00 and small disadvantage businesses is $858.00.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: The only statement made by the SBA representative was that the contractor submitted their goals by a percentage, not a dollar amount.

SUBCONTRACT PLAN REVIEW

1. Contractor: Talley Industries of Arizona, Mesa Arizona.

2. Contract Number: F42600-80-G-7506-0002.

3. Problem Areas: 1, 3 and 6.

4. Assessment of Plan (include comments as to validity of SBA's findings):

a. Problem 1 - SABUS found percentages in contractor's goals acceptable. SBAPCR indicated percentages of planned award to minority firms very low.

Comment - Because of complexity of the item and it's explosive characteristics the opportunity for qualified small and small disadvantaged businesses are extremely limited.

b. Problem 3 - Description of subcontract effort was not initially furnished by the contractor. Prior to award it was furnished and found acceptable by the PCO. SBAPCR indicated "efforts are described. However, effort seems to be lower productive base and low proposed goals to SDB. Need efforts - not words."

Comment - SBAPCR latter remark inappropriate.

c. Problem 6 - Records recital was found acceptable by SABUS, however, SBAPCR could not find to his satisfaction specific reference to records to support other outreach reference.

Comment - PCO determined that the plan was acceptable and that [illegible] record keeping was outlined in contractor's [illegible] program policy and minority business enterprises policy statements. It was felt that perhaps the SBAPCR may have overlooked the records portion of the aforementioned policy documents.

5. Corrective Action Indicated: Additional information to clarify the plan was requested and received on two occasions from the contractor, thus making the plan acceptable to the PCO.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Total subcontract effort $382,200, small business goal 57%, small disadvantaged business goal .75%.

b. SBA Recommended Goals: Not recommended.

c. Negotiated Goals: Same as proposed.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: McDonnell Douglas Corp, PO Box 516, St Louis MO.

2. Contract Number: N00383-78-A-8504-QPEP.

3. Problem Area: Problems are #1 and #6.

4. Assessment of Plan (include comments as to validity of SBA's findings): Initial plan submitted and determined unacceptable. Contractor was requested to submit additional information.

5. Corrective Action Indicated: Contractor submitted addendum to original plan. This was submitted to SADBUS who made the following comments as to their findings and conclusions: This plan which includes the addendum indicates that MDC is making a concerted effort to afford subcontracting opportunities to both small business and small disadvantaged business concerns.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: The total dollars to be subcontracted is $3,114,549. The goal for small business is $78,070, the goal for small disadvantaged business is $4,121.

b. SBA Recommended Goals: The SBA did not establish goals, but commented that the goals appeared low.

c. Negotiated Goals: Small business - $78,070 and small disadvantaged business - $4,121.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: SBA did not recommend goals. The contractor identified basic material requirements, outside processing, and what those requirements consisted of. SBA could not establish goals without detailed information which contractor could not identify at this time due to on-going design and development of the program.

SUBCONTRACT PLAN REVIEW

1. Contractor: Talley Industries of Arizona, Mesa AZ.

2. Contract Number: F42600-80-G-7506-0003.

3. Problem Area: 1, 3 and 6.

4. Assessment of Plan (include comments as to validity of SBA's findings):

a. Problem 1 - Goals as proposed were acceptable to SARUS and SBAPCR as well as the PCO.

b. Problem 3 - Description of subcontracting effort was not initially furnished by the contractor. Information was requested from the contractor prior to submission to SBA for review and received subsequent to the review. Description was acceptable to the PCO.

c. Problem 6 - Contractor's record recital did not detail specific records which would be maintained, but a vice-president of the company, Mr Betka, affirmed that the contractor "would submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting officer", thus assuring adequate reports when requested.

5. Corrective Action Indicated: None recommended.

6.. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Total subcontracting [illegible], small business goal 50%, small disadvantaged [illegible].

b. SBA Recommended Goals:

c. Negotiated Goals: Same as proposed.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: Goals were acceptable to SBA.

SUBCONTRACT PLAN REVIEW

1. Contractor: Lear Siegler Inc, Instrument Div, Grand Rapids MI.

2. Contract Number: F42600-77-C-0019-P00057

3. Problem Area: 1, 2, 3 and 6.

4. Assessment of Plan (include comments as to validity of SBA's findings): The plan was submitted by the contractor for review at the conclusion of contract negotiations on this change to the contract. The basic contract with amendments prior to this contract change was $17,353,009.00. This modification, P00057, totaled $962,500, and was for 12 engineering change proposals to update support equipment for Class V Mod 2917, F4ARN-101 digital avionics. This contractual modification is the last major addition or change to this program. The subcontract plan was approved by the contracting officer, the DCASMA Grand Rapids ACO, the local Small and Disadvantaged Business Office, but not the Resident SBA/PCR, who felt the plan to be inadequate in some areas. After review and analysis of the plan and the PCR comments, the PCO determined the plan adequate and contract award was made in July 1980.

5. Corrective Action Indicated: Corrective actions were found unnecessary on the comments of the Resident SBA/PCR. The problem areas concerned are first, goals for small and small disadvantaged business subcontracting. All reviewers found the goals appropriate ($11,000 total subcontracting, of which 50% was for small business and 2% for small and disadvantaged business). The concern of the PCR was backup data for how the goals were derived, not the goals themselves. The second stated problem area, the name and duties of subcontracting program administrator for LSI, was adequately discussed in the plan according to the determination made by the PCO. The name and symbol are given in the plan, and the duties are outlined as assigned by the contracting office of the Instrument Division of Lear Siegler Inc. The third stated problem area, description of subcontracting effort, was adequately described. The $11,000 subcontracting planned was for wiring, sleeving, and connectors. Because of the very small subcontracting effort which could be expected, no further delineation of effort was required by the PCO. Problem area six, records recital, was felt to be adequately covered for this program. The contract mod is for engineering data and engineering source updates for manuals on

support equipment for the ARN-101 modification. Since the total subcontracting effort is only $11,000 (approximately 1% of the total contract modification value), it is deemed unnecessary to setup the type of controls which would be required on a major subcontracting program.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: The total dollars to be subcontracted, $11,000, and the goal for small business, $5,500, and the small disadvantaged goal, $250, is adequately spelled out.

[illegible] Recommended Goals: SBA did not recommend or [illegible].

[illegible] of Goals: The goals proposed by the contractor [illegible] adequate.

[illegible] as to Rationale or Documentation Provided by [illegible] Their Recommended Goals: The SBA did not recommend any different goals or give any rationale for this program.

SUBCONTRACT PLAN REVIEW

1. Contractor: Lockheed-Georgia Co.

2. Contract Number: F09603-79-G-0508-QP03.

3. Problem Area:

Goals (1)

Records Recital (6)

4. Assessment of Plan (include comments as to validity of SBA's findings):

a. Goals - Determined by SBA Representative to be satisfactory.

b. Records Recital - SBA determined additional information was required from Lockheed to explain the following areas:

(1) Records maintenance on all subcontract solicitations over $10,000.00, indicating for each solicitation (1) whether small business was solicited and if not, why not, (2) whether small disadvantaged businesses were solicited and if not, why not, and (3) reasons for the failure of the solicited small business or small disadvantaged business to receive the subcontract award.

(2) Records to support internal activities to guide and encourage buyers, workshops, seminars, training programs, etc., monitoring activities to evaluate compliance.

5. Corrective Action Indicated:

GOALS

a. Contractor's Proposed Goals: Lockheed estimated $59,590.00 as the value of subcontracted effort available on this contract. Of this effort, 36.1% or $21,500.00 would be placed with small business concerns. No dollars were estimated for small disadvantaged business concerns.

b. SBA Recommended Goals: The SBA did not recommend goals other than those proposed by Lockheed. Lockheed also furnished names of the small business concerns to which purchase orders had been placed.

c. Negotiated Goals: Those goals established by Lockheed were negotiated into the contract.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: Goals proposed by Lockheed were not challenged by the SBA Representative or the Contracting Officer.

RECORDS RECITAL

Lockheed provided the following clarifications to the areas in question:

a. A complete internal procedure for recording the extent of commitments and actual purchases from small business and small disadvantaged businesses was submitted by Lockheed, The procedure is very comprehensive and complies in every respect with the requirements of PL 95-507.

b. Lockheed has developed an internal plan to educate their buyers with small business and small disadvantaged business subcontracting program. This is a company-wide management directive designed to "Achieve to the highest possible degree an environment in which the small and small disadvantaged business sector of the nation's economic and industrial community may fully compete in the Lockheed-Georgia Company's procurement program."

c, The additional information provided by Lockheed-Georgia Co was considered satisfactory and the subcontracting plan was accepted by the Contracting Officer as adequate.

SUBCONTRACT PLAN REVIEW

1. Contractor: Rockwell International Corp, Autonetics Strategic Sys Div.

2. Contract Number: F04606-76-A-0072-QPA3

3. Problem Area:

a. Goals for small business concerns/small disadvantaged business concerns subcontracting: Disagree with SBA findings. A review of the subcontracting plan indicates goals are reasonable for the type of equipment modification effort involved.

b. Records recital: Disagree with SBA findings. Records availability, maintenance, adequacy considered acceptable.

4. Assessment of Plan (include comments as to validity of SBA's findings): In the judgment of the PCO, the subcontracting plan offered the maximum practicable subcontracting opportunity for SBC and SDBC and was determined to be adequate. SBA findings were not considered to require a revised subcontracting plan.

5. Corrective Action Indicated: Not required.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: 15.2% - SBC, 0% - SDBC.

b. SBA Recommended Goals: None.

c. Negotiated Goals: 15.2% - SBC, 0% - SDBC.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: Rockwell Int'l Corp.

2. Contract Number: F04606-76-A-0072-QPL205.

3. Problem Area:

    a. Small disadvantaged goals not adequate.

    b. Records recital not adequate.

4. Assessment of Plan (include comments as to validity of SBA's findings): Review of plan and SBA representative recommendations and the contractual requirement resulted in PCO determination that the plan was adequate and acceptable.

5. Corrective Action Indicated: None required.

6. Where Goals are at Issue Provide:

    a. Contractor's Proposed Goals: 17.9% - Small Business; 2.0% - Small Disadvantaged Business.

    b. SBA Recommended Goals: None.

    c. Negotiated Goals: 17.9% - Small business; 2.0% - Small Disadvantaged Business.

    d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None given.

SUBCONTRACT PLAN REVIEW

1. Contractor: American Air Filter Co.

2. Contract Number: F42600-80-C-0226.

3. Problem Area:

a. Method used in developing Small/Small Disadvantaged goals.

b. Duties of subcontract program manager.

c. Reports and studies recital.

d. Types of records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): SBA findings and recommendations were valid. The discrpancies were resolved prior to acceptance and incorporation of the plan, as amended into the contract.

5. Corrective Action Indicated: Additional input by amendment to the proposed plan was obtained from the contractor and negotiated. No additional corrective action required.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: 30% - Small Business ($306,100); 2% - Small Disadvantaged Business ($20,412).

b. SBA Recommended Goals: None.

c. Negotiated Goals: 30% - Small Business ($306,100); 2% - Small Disadvantaged Business ($21,000).

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: Carrier Transicold Co.

2. Contract Number: F42600-80-C-0183-P00001.

3. Problem Area:

   a. Goals for Small/Small Disadvantaged Business.

   b. Duties of subcontract program administrator.

   c. Description of subcontract effort.

   d. Records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): SBA findings were valid. However, the discrepancies were resolved prior to acceptance and incorporation of the subcontract plan in the contract.

5. Corrective Action Indicated: Additional input obtained from contractor and plan negotiated. No additional corrective action required.

6. Where Goals are at Issue Provide:

   a. Contractor's Proposed Goals: 20% of total material costs to Small and Small Disadvantaged Businesses combined.

   b. SBA Recommended Goals: None given.

   c. Negotiated Goals: 21.7% - Small Business; 0% - Small [illegible]

   d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: Martin Marietta Corp.

2. Contract Number: F09603-80-G-0215-QP06.

3. Problem Area:

a. Goals for Small/Small Disadvantaged Business subcontracting.

b. Description of subcontracting effort.

c. Records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): Description and goals were by nature vague because the effort was for design and development and specific items were not known at the time. The recitation of the minimum of required records was not as complete as it should have been.

5. Corrective Action Indicated: No corrective action is anticipated because the contract has been completed.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Small - 35%; Small Disadvantaged - 1.4%.

b. SBA Recommended Goals: None.

c. Negotiated Goals: Small - 35%; Small Disadvantaged - 1.4%.

d. Statement as to Rationale of Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: TRW Defense & Space Sys Group.

2. Contract Number: F42600-80-C-0001

3. Problem Area:

a. Goals for small business concerns/small disadvantaged business concerns subcontracting: Disagree with SBA findings. Subcontracting goals and derivations are in the contractor's subcontracting plan.

b. Name/duties of subcontracting program administrator: Disagree with the SBA findings. The name/duties/responsibilities of the contractor's subcontracting plan administrator are clearly spelled out in the subcontracting plan.

c. Description of subcontracting effort: Disagree with SBA findings. The subcontracting plan contains an adequate description of the subcontracting effort. The primary effort of this contract is for engineering/technical services which of course can only be obtained from the prime sole source contractor TRW. The exact quantities of supplies/services to be obtained from SBC/SDBC are not specified but the types of supplies/services (i.e., copier paper, copier supplies, general office supplies, local reproduction and printing and copier viewgraph transparencies) and the associated dollar amounts specified for SBC/SDBC were subject to cost/price analysis and audit prior to and during negotiations and were considered acceptable.

d. Reports and studies recital: Disagree with SBA findings. The contractor has specifically stated their company will submit such periodic reports and cooperate in any studies or surveys as may be required by the Air Force or the SBA. The contractor has stated, in further clarification, that their intent is to provide compliance with the SBC/SDBC programs as required by DAR 7-104.14(b) and the contract.

e. Records Recital: Disagree with the SBA findings. The subcontracting plan demonstrates that adequate records consistent with DAR 7-104.14(b) and the contract will be maintained and available at all times to support review of progress against goals.

4. Assessment of Plan (include comments as to validity of SBA's findings): In the judgment of the PCO, the subcontracting plan offers the maximum practicable subcontracting opportunity for Small and Small Disadvantaged Business Concerns and was

determined to be adequate. The SBA findings required some explanations but a revised subcontracting plan was considered unnecessary.

5. Corrective Action Indicated: None required.

6. Where Goals are at Issue Provide: Percentage goals and total dollars planned for subcontracting effort are clearly defined.

a. Contractor's Proposed Goals: Total estimated dollars planned for subcontracting - $75,963.00. Of this amount, $45,217 was projected as the main subcontracting effort with large business. TRW, Ogden engineering center uses IBM copiers and typewriters which can only be leased directly through and from IBM Corp. TRW stated that these leases were the best price TRW could obtain. This was also subject to cost/price analysis and audit and considered acceptable.
Total dollars planned for SBC - $23,786.00 plus $320.00 (indirect) = $24,106.00.
Percent of total subcontract dollars planned for SBC - 31.3%
Total dollars planned for SDBC - $6,960 plus $146 (indirect) = $7,106.
Percent of total subcontract dollars planned for SDBC - 9.2%.

b. SBA Recommended Goals: None.

c. Negotiated Goals: Same as 6a above.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None given.

1. Contractor: Monogram Peacock

2. Contract: F42600-80-C-0624

3. Problem Areas:

   a. Item 1. Goals for Small/Small Disadvantaged Business Subcontracting

   b. Item 2. Name/duties of Subcontracting Administrator

   c. Item 6. Records recital

4. Assessment of Plan: The original plan was determined unacceptable and a more complete plan was requested from the Contractor.

5. Corrective Action Taken:

   a. Item 1. Goals: Acceptable goals were negotiated.

   b. Item 2. Name/Duties: Name and specific duties of Subcontracting Administrator were furnished in revised plan.

   c. Item 6. Records Recital: The revised plan contains a detailed statement of the contractor's record and reporting system.

6. Goals:

   a. Contractors proposed goals: Not proposed. (Revised plan goals are as negotiated)

   b. SBA recommended goals: None

   c. Negotiated Goals: Will subcontract [illegible] of total contract divided as follows:

Small Disadvantaged Business	15%
Small Business	50%
Large Business	35%

   d. Statement as to rationale provided by SBA to support their recommended goals: None

1. Contractor: B F Goodrich

2. Contract: F42600-80-C-0202

3. Problem Areas: Determined unacceptable in initial review

   a. Item 1. Goals for Small/Small Disadvantaged Business Subcontracting

   b. Item 3. Description of Subcontracting Effort

4. Assessment of Plan: Original plan was determined unacceptable. A revised plan was requested from the contractor.

5. Corrective Action Taken:

   a. Item 1. Goals: Acceptable goals were negotiated.

   b. Item 3. Description of subcontracting effort: Contractor gave a detailed description of subcontracting effort and listed items by part number to be subcontracted to small business.

6. Goals:

   a. Contractors proposed goals:

      Small Business goal was 51% of base material cost or $104,150.00.
      Small disadvantaged business goal was zero.

   b. SBA recommended goals: None

   c. Negotiated Goals: Same as a. above.

   d. Rationale of SBA to support their recommended goals: None

1. Contractor: The Bendix Corporation

2. Contract: N00383-79-C-9904-QP22

3. Problem Area:

   a. Item 5. Reports and Studies Recital

   b. Item 6. Records Recital

4. Assessment of Plan: The original plan was deficient in the Reports and Records areas. A more detailed plan was requested.

5. Corrective Action Taken:

   a. Item 5. Reports: Contractor provided by name a specific list of reports to be submitted.

   b. Item 6. Records: Contractor provided a specific list of records being kept.

1. Contractor: Cleveland Pneumatic Co.

2. Contract: F34601-77-A-0187-QP44

3. Problem Areas:

   a. Item 1. Goals for Small/Small Disadvantaged Business Subcontracting.

   b. Item 2. Name/Duties of Subcontracting Program Administrator.

   c. Item 3. Description of Subcontracting Effort.

   d. Item 6. Records Recital

4. Assessment of Plan: The plan as submitted was determined acceptable and complied with the mandatory provisions of the clause.

5. Corrective Action Taken: None required. Plan was acceptable.

6. Goals:

   a. Contractor proposed goals:

      Small Business .025%
      Small Disadvantaged Business 0%

   b. SBA recommended goals: None.

   c. Negotiated goals: Same as a. above

   d. Statement as to rationale provided by SBA to support their recommended goals: None.

1. Contractor: The B.F. Goodrich Co.

2. Contract: F42600-80-C-0930

3. Problem Areas:

   a. Item 1. Goals for Small/Small Disadvantaged Business Subcontracting.

   b. Item 2. Name/Duties of Subcontracting Program Administrator

   c. Item 6. Records Recital

4. Assessment of Plan: The plan as submitted was determined acceptable and complied with the mandatory provisions of the clause.

5. Corrective Action Taken: None required. Plan was acceptable.

6. Goals:

   a. Contractors proposed goals:

      15.1% (based on material cost) to Small Business.
      0% to Small Disadvantaged Business.

   b. SBA recommended goals: None.

   c. Negotiated goals: Same as a. above.

   d. Statement as to rationale or documentation provided by SBA to support their recommended goals: "If the efforts described in the plan were actually being aggressively accomplished I believe the goals would be higher."

SUBCONTRACTING PLAN REVIEW

1. Contractor: Lockheed - Georgia Co, Div of Lockheed Corp

2. Contract Number: F09603-79-G-0508-QP01

3. Problem Area:

   1. Goals for small/small disadvantaged business subcontracting.

   3. Description of subcontracting effort.

   6. Records Recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): The following comments and recommendation of SBA'S findings were considered valid and concurred in by the contracting officer.

a. Description of subcontracting effort. Contractor's plan lacked description of company policy to assure small and small disadvantaged concerns an equitable opportunity.

b. Reports and studies recital. Contractor's plan lacked complete identification of records to be maintained.

5. Corrective Action Indicated: Questionable areas of the plan requiring further clarification were negotiated with the contractor to the satisfaction of the contracting officer. -

6. Where Goals are at Issue Provide:

a. Contractors Proposed Goals: $8,671 estimated Sub Contract effort.
66.6% or $5,777 to the $8,671 set aside
for small business.

b. SBA Recommended Goals: SBA did not recommend goals other than those
proposed by the contractor.

d. Statement as to Rationale or Documentation Provided by SBA to support their recommended goals.

Contractors goals expressed in terms of percentage of total subcontract dollars for small business and award to small firms controlled by socially and economically disadvantaged persons were acceptable to SBA and concurred in by the Contracting Officer.

SUBCONTRACTING PLAN REVIEW

1. Contractor: Lockheed - Georgia Co, Div of Lockheed Corp.

2. Contract Number: F09603-79-G-0508-QP02

3. Problem Area:

   1. Goals for small/small disadvantaged business subcontracting.

   3. Description of subcontracting effort.

   6. Records Recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): The following comments and recommendation of SBA's findings were considered valid and concurred in by the contracting officer.

   a. Description of subcontracting effort. Contractor's plan lacked description of company policy to assure small and small disadvantaged concerns an equitable opportunity.

   b. Reports and studies recital. Contractor's plan lacked complete identificaiton of records to be maintained.

5. Corrective Action Indicated: Questionable areas of the plan requiring further clarification were negotiated with the contractor to the satisfaction of the contracting officer.

6. Where Goals are at Issue Provide:

   a. Contractor's Proposed Goals: $98,730, Estimated Subcontract effort, 18.7% or $15,530, of the $98,370 set aside for small business.

   b. SBA Recommended Goals: SBA did not recommend goals other than those proposed by the contractor.

   d. Statement as to rationale or documentation provided by SBA to support their recommended goals.

Contractors goals expressed in terms of percentage of total subcontract dollars for small business and award to small firms controlled by socially and economically disadvantaged persons were acceptable to SBA and concurred in by the Contracting Officer.

SUBCONTRACT PLAN REVIEW

1. Contractor: Rockwell Int'l Corp.

2. Contract Number: F04606-79-G-0044-QP01.

3. Problem Area:

a. Small disadvantaged goals not adequate.

b. Records recital not adequate.

4. Assessment of Plan (include comments as to validity of SBA's findings): Review of the contractual requirement, the proposed plan and SBA representatives recommendations resulted in PCO determination that the plan was adequate and acceptable.

5. Corrective Action Indicated: None required.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: 29.7% - Small Business; 1.0% - Small Disadvantaged Business.

b. SBA Recommended Goals: None.

c. Negotiated Goals: 29.7% - Small Business; 1.0% - Small Disadvantaged Business.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None given.

SUBCONTRACT PLAN REVIEW

1. Contractor: Boeing Aerospace Co.

2. Contract Number: F42600-80-C-0350.

3. Problem Area: 1. - goals, 3. - description, 6. - records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): Goals were based on company wide experience. Effort was a modification. Prior to design and development an exact list of material required is not possible to determine. Records will be maintained per the plan.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: 13.7% .9%.

b. SBA Recommended Goals: No recommended goals.

c. Negotiated Goals: Basic - 13.667% .912%.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: Boeing Aerospace Co.

2. Contract Number: F42600-79-G-7527-0003.

3. Problem Area: 1. - goals, 3. - description.

4. Assessment of Plan (include comments as to validity of SDA's findings): Goals were based on prior year experience. Effort is primarily services and a description of material required is unknown. Records will be maintained per the plan.

5. Corrective Action Indicated: None.

6. Where [illegible] are at Issue Provide:

   a. Contractor's Proposed Goals: 36% .5%.

   b. SBA Recommended Goals: No recommended goals.

   c. Negotiated Goals: Basic - 36% .5%.

   d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: Boeing Aerospace Co.

2. Contract Number: F42600-79-G-7527-0002.

3. Problem Area: , 1. - goals, 3. - description, 6- records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): Goals were based on prior year experience. Effort is primarily services and a description of material required is unknown. Records will be maintained per the plan.

5. Corrective Action Indicated: None.

6. If the Goals are at Issue Provide:

a. Contractor's Proposed Goals: Basic - 25.0% .5%.

b. SBA Recommended Goals: No recommended goals.

c. Negotiated Goals: Basic - 25.0% .5%. Option 1 45.0% 2.0%.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: Boeing Aerospace Co.

2. Contract Number: F42600-79-G-7527-0004.

3. Problem Area: 1. - goals, 3. - description, 6. records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): Goals were based on prior year experience. Effort is primarily services and a description of material received is unknown. Records will be maintained per the plan.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

   a. Contractor's Proposed Goals: 43.0% .5%.

   b. SBA Recommended Goals: No recommended goals.

   c. Negotiated Goals: Basic - 43.0% .5%.

   d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: Boeing Aerospace Co.

2. Contract Number: F42600-79-G-7527-0007.

3. Problem Area: 1. - goals, 4. - flow-down provision, 6. - records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): Goals were based on prior year experience. Flow down of provision to subcontractors is in plan. Records will be maintained per the plan.

5. Corrective Action Indicated: None.

6. [illegible] Provide:

a. Contractor's Proposed Goals: 23.5% .16%.

b. SBA Recommended Goals: No recommended goals.

c. Negotiated Goals: Basic - 23.5% .16%.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Rockwell International Corporation

2. F04606-76-A-0072-QPP7

3. Problem Area:

   A. (1) Goals for Small/Small Disadvantaged Business Subcontracting

   B. (5) Reports and studies recital

   C. (6) Records recital

4. Assesment of Plan: Original plan was determined unacceptable because of the above problem areas, based upon SBA comments. Revisions have been received to their plan.

5. Corrective Action Indicated: Contractqr has submitted a revision to those problem areas considered deficient. This revision made the subcontracting plan acceptable. Plan as revised is acceptable and has been incorporated into resulting contract.

6. A. Contractor's proposed goals:

   Small Business 50%
   Small Disadvantaged Business 1%

   B. None

   C. Negotiated Goals:

      Small business 53%
      Small Disadvantaged Business 1%

   D. None

SUBCONTRACT PLAN REVIEW

1. The Bendix Corporation

2. F42600-80-D-0420

3. Problem Areas: Determined to be unacceptable by review by SBA representative on original plan:

    A. (4) Flowdown subcontracting provisions

    B. (5) Reports and studies recital

    C. (6) Records recital

4. Assessment of Plan: Original plan was determined unacceptable, revisions were requested based upon SBA representative comments.

5. Corrective Action Taken: Contractor submitted a formal revision to his subcontracting plan. The revision covered all problem areas in detail which were considered deficient. Revised plan was considered acceptable and incorporated into contract.

SUBCONTRACT PLAN REVIEW

1. The Boeing Company

2. F42600-79-C-0202

3. Problem Areas: Determined to be unacceptable by review of SBA representative on the original plan.

(1) Goals for Small/Small Disadvantaged Business Subcontracting.

4. Assesment of Plan: Original plan was determines unacceptable, revisions were requested based on the SBA representatives comments. Revisions were received from the contractor which made the plan acceptable.

5. Corrective Action Taken: Contractor submitted a revision to his subcontract plan which satisfied the deficient aspect of the plan.

6. Where goals are at issue provide:

A. Contractor's proposed goals:

Small Business 1.9% SDB .06%

B. SBA recommended goals: None

C. Negotiated goals: Same as "A" above.

D. Statement as to rationale or documentation provided by SBA to support their recommended goals: None

SUBCONTRACT PLAN REVIEW

1. Sperry Rand Corp., Univac Defense Systems Division

2. F09603-79-G-0113-QP02

3. Problem Areas: Goals for Small/Small Disadvantaged Business Subcontracting.

4. Assesment of Plan: Original plan was considered unacceptable and additional information requested based upon SBA comments.

5. Corrective Action Taken: Contractor submitted additional information to those areas considered deficient.

6. (a) Contractor's Proposal Goals:

[illegible]% of planned subcontracting
[illegible] Disadvantaged Business [illegible]% of planned subcontracting

(b) None

(c) Same as proposed

(d) None

SUBCONTRACT PLAN REVIEW

1. Federal Mogul Corp., Arrowhead Products Division

2. F42600-80-C-0401

3. Problem Areas:

   a. (1) Goals for Small/Small Disadvantaged Business Subcontracting.
   b. (2) Name/Duties of Subcontracting Program Administrator.
   c. (3) Description of subcontracting effort.
   d. (4) Flowdown subcontracting provisions.
   e. (6) Records recital.

4. Assesment of Plan: The items on contract are life support items and were urgently needed to support the AF mission. To delay the award waiting for additional support of the subcontracting plan would not be in the best interest of the Government. Notwithstanding SBA comments the plan did meet the minimum requirements of DAR 10707.2 and 7-104.14(a) and (b) and was incorporated into the contract.

5. Corrective Action Taken: Because of the SBA [illegible] comments the contractor was requested, after award of the contract, to submit additional information to support his plan which he responded to.

6. (a) Contractor's proposed goals:

Small Business 20%
Small Disadvantaged Business 7%

(b) None
(c) Small Business 40%
Small Disadvantaged Business 7%
(d) None

SUBCONTRACT PLAN REVIEW

1. Contractor: Airesearch Mfg Co of CA, A Div of the Garrett Corp, 2525 W. 190th St, Torrance CA 90509.

2. Contract Number: F04606-78-G-0006-QP40

3. Problem Area:

a. Goals for small/small disadvantaged business subcontracting.

b. Name/duties of subcontracting program administrator.

c. Description of subcontracting effort.

d. Flow-down subcontracting provisions.

e. Reports and studies recital.

f. Records recital.

4. Assessment of Plan:

a. Goals for small/small disadvantaged business subcontracting. The contractor included percentage goals for small business/small disadvantaged business subcontracting. The SBA evaluation found this area unacceptable due to the lack of support data to justify the goals. The contracting officer determined that the plan satisfied the minimum requirements of the regulation. (Note: This action was taken prior to changes in the regulation that now requires additional information.)

b. Name/duties of subcontracting program administrator. The name and duties of the plan administrator was included in the plan. SBA stated that the duties were not contained. Specific duties outlined in the plan such as program administration, review of purchase orders, review of buyers logs and preparation of quarterly reports, were found acceptable by the contracting officer.

c. Description of subcontracting effort. The plan contained a description of efforts. The SBA found this portion unacceptable because the plan failed to address certain provisions to be followed during implementation of the plan. The contracting officer determined that the plan met the minimum requirements of the clause in the contract.

d. Flow-down subcontracting provisions. The contractor specifically stated in the plans that the clause flow-down provisions of the regulation would be met. SBA indicated that the contractor's intent was not specific. The contracting officer determined that the minimum requirements of the regulation were met.

e. Reports and studies recital. The contractor stated that quarterly reports would be submitted to the local DCAS and Small Business Office. The SBA disapproved the plan because the contractor did not indicate participation in additional plans, studies, and surveys. The contracting officer determined that this was a mandatory requirement of the regulation and need not be readdressed. This area of the plan was found acceptable by the contracting officer.

f. Records recital. The subcontracting plan included provisions for the maintaining of various records to support the program. The SBA stated that recordkeeping was not adequately addressed in the plan. The contracting officer determined that this area met the minimum requirements of the regulation.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: 1% small disadvantaged business; 10% small business.

b. SBA Recommended Goals: No recommendations provided.

c. Negotiated Goals: 1% small disadvantaged business; 10% small business.

d. Reference as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: No rationale was provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: Westinghouse Electric Corp, Integrated Logistics Support Division, 1111 Schilling Road, Hunt Valley MD 21030.

2. Contract Number: F09603-78-G-0662-QP52.

3. Problem Area:

a. Goals for small/small disadvantaged business subcontracting.

b. Description of subcontracting effort.

c. Records recital.

4. Assessment of Plan:

a. Goals for small/small disadvantaged business subcontracting. The contractor included percentage goals for small/small disadvantaged business subcontracting. The SBA evaluation found this area unacceptable due to the lack of support data to justify the goals. The contracting officer determined that the plan satisfied the minimum requirements of the regulation. (Note: This action was taken prior to changes in the regulation that now requires additional information).

b. Description of subcontracting effort. The plan contained a description of efforts. The SBA found this portion unacceptable because the plan failed to address certain provisions to be followed during implementation of the plan. The contracting officer determined that the plan met the minimum requirements of the clause in the contract.

c. Records recital. The small business subcontracting plan included provisions for maintaining various records to support the program. The SBA indicated that record keeping was not adequately addressed in the plan. The contracting officer determined that this area met the minimum requirements of the regulation.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: .6% small business
.4% small disadvantaged business.

b. SBA Recommended Goals: No recommendation.

c. Negotiated Goals: .6% small business
.4% small disadvantage business.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: No rationale was provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: McDonnell Douglas Corp, McDonnell Aircraft Co.

2. Contract Number: N00383-78-A-8504-QPF8.

3. Problem Area: 1 and 6.

4. Assessment of Plan (include comments as to validity of SBA's findings): Percentage goals were given 97% and 3% for utilization of small business and disadvantaged concerns. Although this represents all subcontracting being awarded to the small businesses, dollar amounts were requested. Maintaining adequate records was not completely identified in the plan.

5. Corrective Action Indicated: Contractor was requested to update plan to incorporate the above. Upon receipt of the amended plan the file was documented by PCO determination of adequacy.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Contractor's proposed goals were 100% to small business.

b. SBA Recommended Goals: No exception taken to the goals by SBA; however, they recommended the dollar amounts be included.

c. Negotiated Goals: 100% with dollar amounts included in the plan.

d. Statement as to Rationale or Documentation Provided by SBA to Support their Recommended Goals: Goals themselves were [illegible] SBA requested percentages and dollar amounts to be included in the plan.

SUBCONTRACT PLAN REVIEW

1. Contractor: McDonnell Douglas - Tulsa.

2. Contract Number: F42600-78-C-0040-P00016.

3. Problem Area: Numbers 1, 3, 5, and 6.

4. Assessment of Plan (include comments as to validity of SBA's findings): Total dollar volume of planned subcontracting not identified although percentage goals are included. As discussed with SBA, there may or may not be opportunities for subcontracting. Contract included Appendix B which allows contractor to requisition all parts and materials required for performance through Government supply systems. Since future requirements for parts and materials are unknown, specific dollar amounts are purely speculation which may have no validity whatsoever in the final evaluation. Subcontract plan did not identify major subcontractors. Again, since specific parts and materials cannot be identified before the fact, subcontractors cannot be identified. Plan did not indicate necessary reports being submitted to SBA or participation in any studies or surveys required by SBA. Plan did not address maintenance of records for audit purposes.

5. Corrective Action Indicated: Contractor and administrative contracting officer were notified of inadequacies and were requested to submit an amended plan. Upon receipt of plan, review was made by the PCO and a determination of adequacy was documented to the file.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: As discussed above, contractor's proposed goals were 50% and 1% for utilization of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged persons respectively.

b. SBA Recommended Goals: Although SBA did not specifically take exception to percentages, dollar amounts for goals were requested to be included in the plan. This was not able to be accomplished as the plan included a statement which explained the unpredictable nature of forecasting material requirements.

c. Negotiated Goals: Same as a. above.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None.

SUBCONTRACT PLAN REVIEW

1. Contractor: Westinghouse Electric Corp, Integrated Logistics Support Division, 1111 Schilling Road, Hunt Valley MD 21030.

2. Contract Number: F09603-78-G-0662-QP03

3. Problem Area:

a. Goals for small/small disadvantaged business subcontracting.

b. Description of subcontracting effort.

c. Records recital.

4. Assessment of Plan:

a. Goals for small/small disadvantaged business subcontracting. The contractor included percentage goals for small/small disadvantaged business subcontracting. The SBA evaluation found this area unacceptable due to the lack of support data to justify the goals. The contracting officer determined that the plan satisfied the minimum requirements of the regulation. (Note: This action was taken prior to changes in the regulation that now requires additional information).

b. Description of subcontracting effort. The plan contained a description of efforts. The SBA found this portion unacceptable because the plan failed to address certain provisions to be followed during implementation of the plan. The contracting officer determined that the plan met the minimum requirements of the clause in the contract.

c. Records recital. The small business subcontracting plan included provisions for maintaining various records to support the program. The SBA indicated that record keeping was not adequately addressed in the plan. The contracting officer determined that this area met the minimum requirements of the regulation.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: .6% small business
.4% small disadvantaged business.

b. SBA Recommended Goals: No recommendation.

c. Negotiated Goals: .6% small business
.4% small disadvantage business.

d. Statement as to Rationale or Documentation Provided by SDA to Support Their Recommended Goals: No rationale was provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: Westinghouse Electric Corp, Integrated Logistics Support Division, 1111 Schilling Road, Hunt Valley MD 21030.

2. Contract Number: F09603-78-G-0662-QP[illegible]52

3. Problem Area:

   a. Goals for small/small disadvantaged business subcontracting.

   b. Description of subcontracting effort.

   c. Records recital.

4. Assessment of Plan:

   a. Goals for small/small disadvantaged business subcontracting. The contractor included percentage goals for small/small disadvantaged business subcontracting. The SBA evaluation found this area unacceptable due to the lack of support data to justify the goals. The contracting officer determined that the plan satisfied the minimum requirements of the regulation. (Note: This action was taken prior to changes in the regulation that now requires additional information).

   b. Description of subcontracting effort. The plan contained a description of efforts. The SBA found this portion unacceptable because the plan failed to address certain provisions to be followed during implementation of the plan. The contracting officer determined that the plan met the minimum requirements of the clause in the contract.

   c. Records recital. The small business subcontracting plan included provisions for maintaining various records to support the program. The SBA indicated that record keeping was not adequately addressed in the plan. The contracting officer determined that this area met the minimum requirements of the regulation.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

   a. Contractor's Proposed Goals: .6% small business
      .4% small disadvantaged business.

b. SBA Recommended Goals: No recommendation.

c. Negotiated Goals: .6% small business
.4% small disadvantage business.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: No rationale was provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: Airesearch Mfg Co of CA, A Div of the Garrett Corp, 2525 W. 190th St, Torrance CA 90509.

2. Contract Number: F04606-78-G-0006-QP39

3. Problem Area:

a. Goals for small/small disadvantaged business subcontracting.

b. Name/duties of subcontracting program administrator.

c. Description of subcontracting effort.

d. Flow-down subcontracting provisions.

e. Reports and studies recital.

f. Records recital.

4. Assessment of Plan:

a. Goals for small/small disadvantaged business subcontracting. The contractor included percentage goals for small business/small disadvantaged business subcontracting. The SBA evaluation found this area unacceptable due to the lack of support data to justify the goals. The contracting officer determined that the plan satisfied the minimum requirements of the regulation. (Note: This action was taken prior to changes in the regulation that now requires additional information.)

b. Name/duties of subcontracting program administrator. The name and duties of the plan administrator was included in the plan. SBA stated that the duties were not contained. Specific duties outlined in the plan such as program administration, review of purchase orders, review of buyers logs and preparation of quarterly reports, were found acceptable by the contracting officer.

c. Description of subcontracting effort. The plan contained a description of efforts. The SBA found this portion unacceptable because the plan failed to address certain provisions to be followed during implementation of the plan. The contracting officer determined that the plan met the minimum requirements of the clause in the contract.

d. Flow-down subcontracting provisions. The contractor specifically stated in the plans that the clause flow-down provisions of the regulation would be met. SBA indicated that the contractor's intent was not specific. The contracting officer determined that the minimum requirements of the regulation were met.

e. Reports and studies recital. The contractor stated that quarterly reports would be submitted to the local DCAS and Small Business Office. The SBA disapproved the plan because the contractor did not indicate participation in additional plans, studies, and surveys. The contracting officer determined that this was a mandatory requirement of the regulation and need not be readdressed. This area of the plan was found acceptable by the contracting officer.

f. Records recital. The subcontracting plan included provisions for the maintaining of various records to support the program. The SBA stated that recordkeeping was not adequately addressed in the plan. The contracting officer determined that this area met the minimum requirements of the regulation.

5. Corrective Action Indicated: None.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: 1% small disadvantaged business; 10% small business.

b. SBA Recommended Goals: No recommendations provided.

c. Negotiated Goals: 1% small disadvantaged business; 10% small business.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: No rationale was provided.

SUBCONTRACT PLAN REVIEW

1. Contractor: AVCO Corporation.

2. Contract Number: F42600-80-C-4685.

3. Problem Area:

(1) Goals for small/small disadvantaged business subcontracting.

(2) Names/duties of subcontracting program administrator.

4. Assessment of Plan (include comments as to validity of SBA's findings): The contractor's initial plan was submitted on 31 Jan 80. The following evaluations, areas of disagreement or unacceptability were brought to the contractor's attention. On 9 Apr 80 the contractor submitted a revised plan. The revised plan was incorporated into the contract. The revised plan adequately addressed all elements of concern by the SBA/PCR.

5. Corrective Action Indicated: There is no documentation to indicate that a copy of the revised plan was ever provided to the SBA/PCR. A copy was forwarded on 5 May 81.

6. Where Goals are at Issue Provide: Goals were not addressed as a problem area.

SUBCONTRACT PLAN REVIEW

1. Contractor: AVCO Corporation.

2. Contract Number: F42600-80-C-4275.

3. Problem Area:

(1) Goals for small/small disadvantaged business subcontracting.

(2) Description of subcontracting effort.

(6) Records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): This contract is for labor intensive effort and offers very limited opportunity for subcontracting. Were it not for $14,759 in subcontracted material to support the engineering effort, of which only $3,201 is small business susceptible, this contract would offer no subcontracting opportunities. The contractor initially objected to the plan requirement but ultimately submitted a very simple plan. The findings of the SBA/PCR were valid. However, because of the type effort envisioned (engineering) and the extremely limited subcontracting opportunities available, the PCO determined the plan to be acceptable. A detailed SBA/PCR critique of the plan was forwarded to the contractor for future use.

5. Corrective Action Indicated: No corrective action required.

6. Where Goals are at Issue Provide: The SBA/PCR critique did not address goals. The only discussion concerning goals related to methods used in developing goals.

SUBCONTRACT PLAN REVIEW

1. Contractor: Raytheon.

2. Contract Number: F09603-79-G-1358-QP09.

3. Problem Area:

(1) Goals for small/small disadvantaged business subcontracting.

(3) Description of subcontracting effort.

4. Assessment of Plan (include comments as to validity of SBA's findings): Contracting officer determined the plan did meet the [illegible] of PL at the time the contract was awarded. [illegible] goals were set forth in percentages in lieu of dollar amounts. Item 3 description of subcontracting effort was clarified by a wire from the contractor dated 10 Apr 80.

5. Corrective Action Indicated: No corrective action required.

6. Where Goals are at Issue Provide: Goals were not addressed except the situation that they were set forth by percentages rather than by percentages and dollars. -

SUBCONTRACT PLAN REVIEW

1. Contractor: Varian Associates.

2. Contract Number: F42600-80-C-4080.

3. Problem Area:

(1) Goals for small/small disadvantaged business subcontracting.

(2) Name/duties of subcontracting program administrator.

(3) Description of subcontracting effort.

(4) Flow down subcontracting provisions.

(5) Reports and studies recital.

(6) Records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): The contracting officer determined that subcontract plan did meet the minimum requirements as set forth by DAR as of April 1980.

5. Corrective Action Indicated: This was a competitive contract issued 13 Nov 1979 and did not incorporate the subcontracting plan originally. Corrective action was taken to negotiate and incorporate the plan by supplemental agreement.

6. Where Goals are at Issue Provide: Goals were not addressed as a problem area, except that they were expressed by percentage in lieu of dollar amounts.

SUBCONTRACT PLAN REVIEW

1. Contractor: Westinghouse Electric Corporation.

2. Contract Number: F09603-78-G-0662-QP1E.

3. Problem Area:

(1) Goals for small/small disadvantaged business subcontracting.

(3) Description of subcontracting effort.

(6) Records recital.

4. Assessment of Plan (include comments as to validity of SBA's findings): This contract was issued on 15 May 1979, several months before the implementation of the Small and Small Disadvantaged Business Subcontract Program. The subcontracting was submitted on 27 Feb 1980, some 11 months after initiation of contract effort. Based on the above, it is reasonable to assume that subcontracting efforts had been placed at the time the plan was submitted. While the plan was relatively simple and did not contain great detail, it is felt that the plan as presented was adequate. The comments and objections of the SBA/PCR were general and for the most part have to be interpreted as individual opinion.

5. Corrective Action Indicated: No corrective action required.

6. Where Goals are at Issue Provide: Although goals have been identified as being at issue, the subcontract plan evaluation by the SBA/PCR shows SBA acceptance of the goals.

1. Contractor: Goodyear Aerospace Corp.

2. Contract: F34601-80-C-0201-QP04

3. Problem Areas:

   a. Item 1. Goals for Small/Small Disadvantaged Business Subcontracting.

   b. Item 2. Name/Duties of Subcontracting Program Administrator.

   c. Item 6. Records Recital

4. Assessment of Plan: The original plan was determined unacceptable in some areas and a more complete plan was requested from the contractor.

5. Corrective Action Taken:

   a. Item 1. Goals: Acceptable goals were negotiated.

   b. Item 2. Name/Duties: Names and duties of those administering the program, at all levels, were furnished.

   c. Item 6. Records Recital: The Contractor provided a detailed list of records to be kept to support the program.

6. Goals:

   a. Contractor's proposed goals: Goal is 20% of contract for Small Business and .02% for Small Disadvantaged Business.

   b. SBA recommended goals: None.

   c. Negotiated goals: Same as a. above.

   d. Statement as to rationale provided by SBA to support their recommended goals: No rationale provided.

SUBCONTRACT PLAN REVIEW

1. Harris Corporation

2. F42600-80-C-0049

3. Problem Areas: Determined unacceptable in review by SBA representative on original plan:

    A. (1) Goals for Small/Small Disadvantaged Business Subcontracting.
    B. (3) Description of Subcontracting effort.
    C. (5) Reports and studies recital.
    D. (6) Records recital.

4. Assesment of Plan: Original plan was determined to be unacceptable by the SBA representative, but the Contracting Officer made the determation that in the best interest of the Government the award should be made without further delay. The PCO refuted the Comments by the SBA representative and deemed the plan acceptable pursuant to DAR 1-707.2 and 7-104.14(a) and (b).

5. Corrective Action Indicated: None. The PCO determined that the Subcontract plan met the minimum requirements of the clause.

6. Where Goals are at issue provide:

    A. Contractors proposed goals:

    18% for SB and 2% for SDB

    B. SBA recommended Goals: None

    C. Negotiated Goals:

    Same as (A) above contractor's proposed.

    D. Statement as to rationale or documentation provided by SBA to support their recommended goals: None

SUBCONTRACT PLAN REVIEW

1. Contractor: CAI, A Div of Recon/Optical

2. Contract Number: F42600-80-C-0210

3. Problem Area:

a. Small and disadvantaged subcontracting goals seemed unrealistic.

b. Records.

4. Assessment of Plan (include comments as to validity of SBA's findings): Original plan was determined unacceptable and a revision was requested based upon SBA's comments. A revision was received and the PCO determined the subcontracting plan to be acceptable.

5. Corrective Action Indicated: Contractor submitted a revision that responded to those areas considered deficient, mainly:

a. Contractor restated his goals as realistic and attainable. CAI supported their goals with historical subcontract award data from 1976 to 1979. The contractor explained that their principal small disadvantaged supplier had gone out of business due to a fire.

b. The contractor provided a list of the extensive records maintained.

6. Where Goals are at Issue Provide:

a. Contractor's Proposed Goals: Small business 49%, small disadvantaged .2%.

b. SBA Recommended Goals: None, insufficient data.

c. Negotiated Goals: Goals were reviewed and determined to be realistic and attainable by the contractor. The contractor stated that as procurement item definition became more specific a concerted effort would be made to improve the stated goals.

d. Statement as to Rationale or Documentation Provided by SBA to Support Their Recommended Goals: None given.

RECEIVED
15 MAY 1981
CONTRACTS COMMITTEE

SUBCONTRACT PLAN REVIEW

1. Contractor: The Bendix Corp.

2. Contract Number: F42600-80-G-7501-0001.

3. Problem Area: Determined unacceptable by review by SBA representative on original plan because the plan did not:

a. Give a description of the principal product or service to be subcontracted and the dollar value to be awarded each small and disadvantaged contractor.

b. Cover the required reports.

c. Cover the required records.

4. Assessment of Plan (include comments as to validity of SBA's findings): Original plan was determined unacceptable and revisions were requested based upon SBA comments. Revisions were received and the PCO determined the subcontracting plan to be acceptable.

5. Corrective Action Indicated: Contractor submitted a revision that responded to those areas considered deficient, mainly:

a. Contractor identified the principal product to be subcontracted and those areas where the use of small and disadvantaged business concerns is intended. The Bendix Corp further identified the dollar values to be awarded to small and disadvantaged contractors.

b. The contractor stated that all reports required by the OO-ALC contracting officer and the Small Business Administration would be provided.

c. The PCO determined that the records maintained by the contractor were acceptable and met the criteria and the intent of DAR 7-104.14.

TOR-1382246Z 27
ROUTINE

RLN-004110 AFLC/PMP

RTTUZYUW RUVMAAA7438 1382157-UUUU--RUWAFLC.
ZNR UUUUU
R 181750Z MAY 81
FM SM-ALC MCCLELLAN AFB CA//PM//
TO HQ AFLC WPAFB OH//PMP//
BT
UNCLAS
SUBJ F19628-79-C-0089-P00004 PL95-507 SUBCONTRACTING PLAN REVIEW.

1. THE ROCKWELL SUBCONTRACTING PLAN DATED 01 FEB 1980 SUBMITTED TO ESD WAS REVIEWED BY MR. JOHN CONDON, CHIEF OF THE SMALL AND DISADVANTAGED BUSINESS UTILIZATION OFFICE AT HANSCOM AFB MA ON 12 FEB 1980 AND WAS FOUND IN COMPLIANCE WITH PL95-507. THE PLAN WAS ALSO REVIEWED BY THE ACO MR. JACK DIAL OF DCASMA SANTA ANA ON 14 FEB 1980 AND FOUND TO BE IN COMPLIANCE WITH PL95-507.

2. MR. JOHN LEARY, PCO ESD, FURNISHED A COPY OF THE ROCKWELL PLAN TO THE SBA/PCR FOR REVIEW ON 6 FEB 1980. ON 11 MAR 1980 THE U.S. SMALL BUSINESS ADMINISTRATION REGION I, 60 BATTERY MARCH, BOSTON MA, FURNISHED COMMENTS TO THE PCO. THESE COMMENTS WERE RECEIVED 7 DAYS AFTER THE DISTRIBUTION (4 MAR 1980) OF THE CONTRACT MODIFICATION F19628-79-C-0089-P00004, TOO LATE TO INCLUDED IN THE CONTRACT MODIFICATION.

3. TWO GOVERNMENT AGENCIES INCLUDING THE HANSCOM AFB SMALL AND DIS-

PAGE 2 RUVMAAA7438 UNCLAS

ADVANTAGED BUSINESS UTILIZATION OFFICE FOUND THE ROCKWELL PLAN IN COMPLIANCE WITH PL95-507. HAD THE SBA REGION I OFFICE RESPONDED IN A MORE TIMELY MANNER, THEIR COMMENTS UNDOUBTEDLY WOULD HAVE BEEN INCORPORATED INTO THE CONTRACT MODIFICATION.

4. SM-ALC/PMXCP ASSESSMENT OF THIS PLAN IS AS FOLLOWS CLN

A. THE PLAN IS ONE OF THE EARLIER VERSIONS OF INDUSTRY'S ATTEMPT TO COMPLY WITH PL95-507. PLANS SUBMITTED SINCE THEN ARE MORE SOPHISTICATED AND BETTER DEVELOPED AFTER INDUSTRY AND GOVT AGENCIES LEARNED MORE ABOUT DEVELOPMENT OF THE PLANS.

B. THE SBA REPORT ON THE PLAN FOR F19628-79-C-0089-P00004 IS CORRECT IN THE THREE AREAS INVOLVED I.E. CLN
(1) 2 NAME/DUTIES OF SUBCONTRACTING PROGRAM ADMINISTRATOR
(2) 5 REPORTS AND STUDIES RECITAL
(3) 6 RECORDS RECITAL

C. CORRECTIVE ACTION HAS BEEN TAKEN BY THE SM-ALC PCO, CARROLL GAMBLE, TO HAVE ROCKWELL SUBMIT AN AMENDMENT TO THE PLAN TO CORRECT OR IMPROVE THE DISCREPANCIES SPECIFIED IN THE SBA LETTER OF 11 MAR 1980. ROCKWELL HAS AGREED TO DO SO AND AN ANSWER IS EXPECTED ON OR ABOUT 1981 JUN 05.

BT
#7438

TOR-1382246Z ROUTINE

RLN-004110

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS WARNER ROBINS AIR LOGISTICS CENTER (AFLC)
ROBINS AIR FORCE BASE, GEORGIA 31098

13 MAY 1981

REPLY TO ATTN OF: PM

SUBJECT: PL 95-507 Subcontracting Plans (Your Ltr, 30 Apr 81)

TO: HQ AFLC/PMP

Attached are the reviews of the 14 plans required by Paragraph 3 of subject letter.

1 Atch
Reviews of Plans

Lester M. Carter

LESTER M. CARTER
Deputy Director
Contracting & Manufacturing

CONTRACT: F09603-78-G-1261-0048

CONTRACTOR: General Electric Company
Burlington, Vermont

DEFICIENCY: 1 and 6

NARRATION: #1 -- Contractor Proposed Goals: Small Business 20%
Small Disadvantaged .2%

SBA Recommended Goals: None (block checked as unacceptable)

Negotiated Goals: Small Business 20%
Small Disadvantaged .2%

SBA Rationale/Documentation: "Goals do not appear to reflect maximum practical opportunities offered on part of the contractor."

This award was 12 Feb 80. It was one of the first with GE following local directions regarding subcontracting plans. It was considered adequate to meet basic requirements for subcontracting plans.

#6 -- The SBA reviewer at this ALC did not indicate a problem regarding records recital.

CONTRACT: F09603-78-G-2021-0005.

CONTRACTOR: Maremont Corp
Saco, Maine

DEFICIENCY: 1

NARRATION: #1 -- Contractor Proposed Goals: Small Business 100%
Small Disadvantaged 0%

SBA Recommended Goals: None (block checked as unacceptable)

Negotiated Goals: Small Business 100%
Small Disadvantaged 0%

SBA Rationale/Documentation: "The 0% to small disadvantaged business does not appear in keeping with DAR 7-104.14(b)(A)(1). Plan does not indicate consideration of indirect or overhead cost nor does it indicate that the firm has attempted to locate such businesses."

This award was issued 5 Oct 79 prior to local instructions requiring a subcontracting plan. All subcontracting had been accomplished prior to the retroactive request for a subcontracting plan. Consequently, it was impossible for Maremont to meet, in full, the requirements of SBA. It was considered that the subcontracting plan as submitted by Maremont was acceptable under the circumstances.

CONTRACT: F09603-78-C-1261-0056

CONTRACTOR: General Electric Company
Burlington, Vermont

DEFICIENCY: 1 and 6

NARRATION: #1 -- Contractor Proposed Goals: Small Business 20%
Small Disadvantaged .2%

SBA Recommended Goals: None (block checked as unacceptable)

Negotiated Goals: Small Business 20%
Small Disadvantaged .2%

SBA Rationale/Documentation: "Goals do not reflect a maximum effort to participate in small and small disadvantaged subcontracting. These goals appear to be standard on all GE-Burlington Plans."

The award was 27 Sep 79 prior to local instructions requiring a subcontracting plan. The contract was modified to include the subcontracting plan. It was considered adequate to meet the basic requirement for subcontracting plans.

#6 -- The SBA reviewer at this ALC did not indicate a problem regarding records recital.

CONTRACT: F09603-79-G-1569-0033

CONTRACTOR: General Electric Company
Burlington, Vermont

DEFICIENCY: 1 and 6

NARRATION: #1 -- Contractor Proposed Goals: Small Business 20%
Small Disadvantaged .2%

SBA Recommended Goals: None (block checked as unacceptable)

Negotiated Goals: Small Business 20%
Small Disadvantaged .2%

SBA Rationale/Documentation: "Goals set forth in the plan do not reflect maximum practical opportunity for small and small disadvantaged firms. The goals are company wide aggregate figures and do not reflect the actuals under this contract. Also the goals do not include any indirect expense. (See DAR 7-104.14(b)(a)(1))"

This award was 6 Jun 80. It was considered adequate to meet basic requirements for subcontracting plans.

#6 -- The SBA reviewer at this ALC did not indicate a problem regarding records recital.

CONTRACT: F09603-78-G-1261-0058

CONTRACTOR: General Electric Company
Burlington, Vermont

DEFICIENCY: 1 and 6

NARRATION: #1 and #6 -- Contractor Proposed Goals: Small Business 20%
Small Disadvantaged .2%

SBA Recommended Goals: No evidence in the file of SBA review being returned.

SBA Rationale/Documentation: N/A

The award was 28 Sep 79 prior to local instructions requiring a subcontracting plan. The contract was modified to include the subcontracting plan. It was considered adequate to meet basic requirements for subcontracting plans. There are no records in the file to indicate discrepancies found by the SBA review.

BOA/Order Number: F09603-79-G-3894-0014

Contractor: Hughes Aircraft Company

Deficiency: #5-Reports and studies recital

Narration: (5) A careful and complete review of subject contract and the contractor's subcontracting plan has been made. The reviewer is satisfied that the contractor has complied with DAR 7-104.14(b) regarding reporting requirements. The contractor's subcontracting plan (Section D-5) states that he will "submit a quarterly report and agrees that the Government may conduct studies and surveys of the Contractor's books and records related to the Subcontracting Plan". Prior to contract award the Principal Contracting Officer made the determination that the contractor met the requirements of and is in compliance with DAR 7-104.14(b) and the contract file is so documented.

Contract F09603-80-G-3218-0001-02

Contractor: Dalmo Victor Operation
Bell Aerospace Textron
Div of Textron Inc

Deficiency: (1)

Narration

The subcontracting plan for the above listed contract has been reviewed. The SBA's finding is considered to be invalid and no corrective action is necessary.

Contractor's proposed goals: 22%/1%
SBA Recommended goals: 53%/2.5%
Negotiated goals: 22%/1%
SBA Support for Recommended goals: "Firm doing 53% with Small Business and 2.5% with Small Disadvantaged Business."

The effort required under the above listed contract is not representative of the contractor's overall efforts through which they have achieved the levels of utilization cited by SBA. The contractor proposed goals consistent with the specialized nature of the effort involved (modification and repair).

Contract: F04606-80-G-0029-RJ04

Contractor: Hughes Aircraft Company
Centinella & Teale Streets
Culver City CA 90230

Deficiency: 6

Narration: On 4 Mar 1980, BC/SBA did make the determination that Hughes' subcontracting plan was unacceptable based on Periodic Reports not records recital. Prior to award of the contract further negotiations were conducted with the contractor and Hughes agreed to delete wording determined unacceptable by BC/SBA. The amended subcontracting plan was included in the contract.

CONTRACT NUMBER: F09603-79-G-3577-C007

CONTRACTOR: Itek Corporation
Applied Technology Division
645 Almanor Avenue
Sunnyvale CA 94086

DEFICIENCY: 2, 3, 5 and 6

NARRATION OF EACH DEFICIENCY:

NR. 2: SBA comments indicate the plan does not contain the name of the company administrator.

Reviewer Comments: The plan includes a paragraph stating "The individual primarily responsible for the development and implementation of the SBSDB Plan is the Procurement Manager, who is also the Minority and Small Business Liaison Officer for the Division." File indicates the PCO determined the above paragraph adequate as the face page of the plan list the name of S.L. Carty, Manager, Procurement as the responsible person.

NR. 3: SBA comments indicate plan does not contain an adequate description of the efforts the firm will make to assure an equitable opportunity to compete for subcontracts.

Reviewer Comments: This contract is for engineering services necessary to perform preliminary design of an updated Radar Warning system. The plan indicates the requirements of this contract entail design feasibility activities which require senior level engineers knowledgeable about the details of the AN/ALR-69 System. Engineering personnel have been assigned to this program for well over a one year and have assisted in preparation of specification requirements for the AN/ALR-69 update. Because the instant contract effort provides for a continuation of these previous activities coupled with the unique personnel requirements available only from Itek Corporation in-house resources, little if any, subcontracting will take place. The plan further indicates that in the event subcontracting opportunities are identified, the contractor will continue to provide the maximum practicable opportunity for small and small disadvantaged business concerns to participate in the contract consistent with its efficient performance.

NR. 5: SBA comments indicate plan does not contain assurance that the firm will submit periodic reports and cooperate in studies or surveys as required.

Reviewer Comments: The plan indicates Itek Corporation will continue to submit, as required, SBA Form 748 and DD Form 1140-1. These reports and all required back-up data are audited quarterly by contractor's Liaison Officer and available for audit by the SBA and other Government personnel as required. The plan further indicates that contractor's Small Business Liaison Officer is a member of the Federal Government/Industry Small Business Council of Northern California and attends all regular meetings of this group. This organization, whose membership includes representatives of Government and Industry is collectively pursuring ways to make it easier for the Small Business and Small Disadvantaged Business firms to compete for contracts and subcontracts. Itek Corporation, Applied Technology Division's Material Director attended the Sep 79 Small Business, Small Disadvantaged Business Symposium at Warner Robins ALC. The plan further states the entire management, including the Division Executive Staff actively supports the SBSDB program.

NR. 6: SBA comments indicate plan does not contain a recitation of the types of records the offerors will maintain to demonstrate procedures which have been adopted to comply with the plan.

Reviewer Comments: The plan contains a statement listing dissemination of policy and implementation by the Itek Corporation which outlines the contractor's policy to maintain liaison between Itek Corporation and the Government in all matters relating to the program, provide adequate and timely consideration of the potentialities of known small business and minority business enterprises in all "make or buy" decisions and ensuring adequate and timely consideration of these firms in solicitation for supplies, services and products in support of Itek's prime contracts and subcontracts from other prime contractors. Obtaining and distributing Department of Labor listings of labor surplus areas to all contractor procurement personnel, conduct periodic training sessions for procurement personnel to keep abreast of new events and the plan further states "This functional procedures also provides the specific operating instructions for buying and for Clerical personnel. In accordance with this procedure, buying personnel consider that every requirement is potentially obtainable from a Small Business Concern or from a Small Disadvantaged Business Concern.

Based on the above, the Principal Contracting Officer made the determination that the Plan met the requirements of DAR 7-104.(b) and contract file is so documented.

Contract F09603-80-C-3947

Contractor: Teledyne MEC

Deficiencies: (5) and (6)

Narration

#5 The SBA's finding is considered invalid. The subcontracting plan for the above listed contract does contain adequate assurance that the contractor will submit such reports and will cooperate as may be required to determine the extent of compliance with the subcontracting plan. No corrective action is necessary.

#6 The SBA's finding is considered invalid. The subcontracting plan for the above listed contract does contain assurance that records will be maintained which will document the procedures adopted to comply with the goals and requirements of the plan.

Contract F09603-80-C-3225

Contractor: RCA Corp
Avionics Systems

Deficiencies: (1), (3) and (4)

Narration

#1 The SBA's finding is considered to be invalid and no corrective action is necessary.

Contractor's proposed goals: 39%/2%
SBA Recommended goals: Unknown
Negotiated goals: 39%/2%
SBA Support for recommended goal: Unknown

#3 The SBA's finding is considered to be invalid and no corrective action is necessary. The plan adequately describes efforts that the contractor will make to assure that small and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

#4 The SBA's finding is considered invalid. The plan does include assurance that the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns will be included in all subcontracts which offer further subcontracting opportunity. No subcontracts meeting the $500,000 threshold for adoption of a plan will be awarded.

Contract Number: F09603-80-C-1421

Contractor: Allis-Chalmers Corp.
218 S Cicero Ave
Matteson IL 60443

Deficiency: 6

Narration: The subcontracting plan has been reviewed. It is considered to meet the minimum requirements of a plan. There is no question that it could be improved. Since contract resulted from advertised acquisition, the plan was accepted as meeting the minimum requirements. The plan was not deficient enough to warrant rejecting the low bidder.

Contract Number: F09603-79-C-1236-PZ0005

Contractor: Hughes Aircraft Co
Centinela & Teale St
Culver City CA 90230

Deficiency: 5

Narration:

The subcontracting plan submitted by Hughes Aircraft Company, Culver City CA, for contract F09603-79-C-1236 was reviewed and found acceptable by the Contracting Officer and the Chief of the Warner Robins ALC office of Small and Disadvantaged Business Utilization. However, the Procurement Center Representative (PCR) found the plan unacceptable in the area of submitting periodic subcontracting compliance reports and cooperating as necessary. This finding was based on the PCR's interpretation that the plan indicated that the offeror has no intention of cooperating as required by law and that the Contractor would require reimbursement for any report or study other than the quarterly report.

Based upon review of the plan and the findings, it is determined that no corrective action is necessary. The contractor's plan specifically states that the government may conduct any studies or surveys of the contractor's books and records related to the subcontracting plan and thereby evidences its intent to cooperate. Neither WR-ALC nor the Small Business Administration can define the types or frequency of any studies or surveys which may be required. Therefore, that portion of the plan which reads "Any other reports or studies required of the contractor shall be considered a contract change pursuant to the 'changes' clause" is determined to mean that the contractor reserves the right to request reimbursement for any contract price increase which may result from compliance with requirements levied after contract award. The stipulation in the plan does not state that the Contractor will not comply or might not comply with the requirements of Public Law 95-507 but instead means that the contract price does not contain costs for unknown contingencies.

Contract Number: F09603-80-C-0757

Contractor: Astech
A Division of TRE Corporation
3030 S. Red Hill Avenue
Santa Ana, CA 92711

Deficiency: 1 and 5

Narration: #1 -- Both BC and SBA questioned this factor. Goals are company wide and not individual goals for each plan. The contractor was requested to and did submit a revision which sets forth percentage goals as follows:

18% - total planned subcontracting
13% - (of the 18%) for small business
0% - for minorities

These percentages are unclear; when applied to total contract amount, actual dollars differ from those stated in a PCO memo.

COMPARISON

	Per Plan	PCO Memo
Total Subcontracting Amount:	$240,063 (18% of total contract)	$950,093
Small Business:	$ 31,208 (13% of above)	$170,061

Per PCO memo, the remaining $780,032 is for standard commercial items. This memo was written to substantiate exclusion of 7-104-.14(d).

Narration: #5 -- Only SBA questioned this factor. It was not subsequently addressed in the file. Review of the plan indicates the following:

a. Plan does not openly state that any required report will be submitted to PCO and SBA if requested. It states the company records will be considered "management records only and need not be submitted routinely to the Government; however..........will be kept available for review."

b. Plan further states that contractor will cooperate with the PCO in studies and surveys -- does not state the SBA.

DISCUSSION: Overall plan "appears" to be adequate; however, some clarification prior to award seemed to be called for. No action required.

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SAN ANTONIO AIR LOGISTICS CENTER (AFLC)
KELLY AIR FORCE BASE, TEXAS 78241

REPLY TO ATTN OF: PMC

12 May 1981

SUBJECT: P.L. 95-507 Subcontracting Plans (Your Ltr, 30 Apr 1981)

TO: HQ AFLC/PMP

As you requested in subject letter, comments are provided below concerning the SA-ALC contracts listed by SBA.

1. Contract F41608-80-D-0001 with Columbus McKinnon Corporation is a requirements contract with an estimated value of $720,922.80. We are purchasing an estimated 81,185 chain assemblies applicable to the KC-135 aircraft. The contract includes DAR 7-104.14(c) Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns (formally advertised) (1979 Jul). The plan included in the contract is in compliance with the requirements of the clause. The SBA report indicates that the name/duties of the subcontracting program administrator is a problem area. Review of this disclosed that the name and position of the administrator along with a description of his duties was included.

2. Contract F34601-79-G-1455-SA06 is a BOA order issued to Bendix Corporation at a value of $1,055,211. We are purchasing 6,330 igniter plugs applicable to the J-85 engine. The order contains DAR 7-104.14(b), Utilization of Small Business and Small Disadvantaged Business Concerns (1979 Jul). The plan included in the order does not conform to the sequence and paragraph content of the clause. This is due to the contractor's use of copies of internal policy papers to show compliance with P.L. 95-507. The PCO determined that the plan conformed to the essential elements of the clause. The SBA report indicates the reports and studies recital was a problem area. The plan lists the reports the contractor submits. This list was found to be adequate by the PCO and by the DCAS SADBU. The contractor does not directly address assisting the government studies and surveys but through out the plan he indicates a willingness to assist the government in its small business program. This coupled with the excellent report on this company's small business program by the DCAS SADBU caused the PCO to determine the plan acceptable and rule the failure to directly address the studies and surveys a minor informality.

3. Contract F04606-78-G-0009-QUVG with AiResearch Manufacturing Company of Arizona is a BOA order having a value of $2,548,500. The contract is for 665 impellers applicable to the GTC 85-70A/71A and GTCP 85-397 gas turbine engines. The order contains DAR 7-104.14(b), Utilization of Small Disadvantaged Business Concerns (1979 Jul). The plan included in the order is in compliance with the requirements of the clause contained in the contract. The SBA report indicates goals for small/small disadvantaged business subcontracting is a problem area. The proposed and negotiated goals were 10% small business subcontracting and 0% small disadvantaged business subcontracting. The SBA did not recommend any specific goal or provide rationale supporting any specific goal. The contract file indicates that the SBA representative had two objections concerning the subcontracting goals section of the plan. The SBA

Electro Mail
DATE 5-12-81
TIME 1515
OPERATOR
PAGES 2

Electro Mail

representative wanted the total subcontracting dollar figure included in the plan. As this was not a requirement of the July 1979 clause, the PCO determined it was not necessary to add this information. Also, the plan had a 0% small disadvantaged business goal. Elsewhere in the plan, the contractor showed his indirect (overhead) purchases for small disadvantaged business concerns is 0.04% of cost. The SBA representative questioned the 0% goal based on this indirect cost figure. The PCO then determined in view of the lack of known small disadvantaged business concerns capable of performing the subcontracting on this item and the negligible indirect subcontracting shown by the contractor that the 0% goal most accurately reflected the subcontracting opportunities.

4. Contract F04606-78-G-0009-QUVF with AiResearch Manufacturing Company of Arizona has a value of $1,127,500. The contract is for 250 impellers applicable to the GTC 85-70A/71A and GTCP 85-397 gas turbine engines. This is the same item purchased on Contract F04606-78-G-0009-GUVG and the assessment included in Paragraph "3" of this letter applies to this contract also.

5. Contract F41608-79-C-1940 with ASE Texas Inc. is a letter contract with a not-to-exceed price of $45,145,000. The contract covers the purchase and installation of 25 noise suppressors, hush houses. The contract contains DAR 7-104.14(b), Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns (1979 Jul). The plan included in the contract is in compliance with this clause. The SBA report indicates a problem existed with goals for small/small disadvantaged business subcontracting. The proposed and negotiated goals were 32% small business subcontracting and 0.3% small disadvantaged business subcontracting. The SBA did not recommend any specific goals or provide rationale to support any specific goal. The contract file indicates that the SBA representative had two objections concerning the subcontracting goals section of the plan. First, the SBA representative wanted the estimated prime and subcontracting dollar figures included in the plan. As this was not a requirement of the July 1979 clause, the PCO determined it was not necessary to add this information. Secondly, the SBA representative recommended that a rationale be included in the plan as to why the percentage of awards to large business was necessary. A review of the plan and knowledge of the item led the PCO to conclude the goals were reasonable. As a rationale was not required by the clause, it was determined to be unnecessary to have the contractor alter his plan to include it.

FOR THE COMMANDER

John D Martin
JOHN D. MARTIN
Acting Chairman
Contracts Committee

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS OKLAHOMA CITY AIR LOGISTICS CENTER (AFLC)
TINKER AIR FORCE BASE, OKLAHOMA 73145

15 MAY 1981

REPLY TO ATTN OF: PM

SUBJECT: P.L. 95-507 Subcontracting Plans (PMP Ltr, 30 Apr 81)

TO: HQ AFLC/PMP
Wright-Patterson AFB OH 45433

1. The information requested by your referenced letter is transmitted herewith. A separate explanatory sheet is attached for each of the seven (7) OC-ALC identified contracts.

2. It appears that the SBA complaints on these subcontracting plans were based on the initial submission by each contractor, and not on the final negotiated and PCO accepted plan.

FOR THE COMMANDER

Hurley A. Main

HURLEY A. MAIN
Deputy Director
Contracting and Manufacturing

1 Atch
Explanatory Sheets (7)

CONTRACT F34601-80-D-2984

1. The contractor submitted the subcontracting plan in compliance with RFP F34601-80-R-0422 26 February 1980. SBA's review of the plan resulted in the following discrepancies being reported:

a. The method used to determine allocation of indirect or overhead costs to the program not included.

b. Assurances offeror will submit required reports and cooperate in studies or surveys not included.

c. Types of records to be maintained, establishment of source lists, and efforts to identify and award subcontracts to small business not included.

2. The contracting officer's assessment of the SBA comments is as follows:

a. Our preference that the offeror identify the method of allocating indirect costs is intended to give us insight into opportunities missed or simply unreported. It is not in and of itself a basis for considering the subcontracting plan deficient. Identifying the method of allocation is not a requirement of the law or the DAR. The statutes and implementing provisions simply require that those overhead costs be included in the goals.

b. The subcontracting plan on page 5 of the Addendum a states "subcontractor will submit periodic reports and cooperate in any studies or surveys as may be required by the contracting officer or SBA in order to determine the extent of the contractor's compliance with the Small/Disadvantaged Business subcontracting plan. Internal reports will be prepared on a quarterly basis. Quarterly reports will be submitted on Form DD 1140-1 and SBA Form 745." In the contracting officer's judgment this was the assurance required by the statute and the DAR.

c. Although the subcontracting plan description of records to be maintained may have lacked the specificity sought by SBA, the plan did imply that such records would be maintained. In several areas of the plan, and in the section entitled "Interim Audit and Reporting Systems", the plan stated in part that statistical records on solicitations and actual performance as well as records on participation in conferences, trade fairs, distribution of source lists and other activities would be maintained and further that these records will demonstrate compliance and good faith with this program. They will generate periodic reports that may be required by the Government and will provide management with legal reviews of program's total goals and overall effectiveness of the programs.

3. Factors other than those enumerated in the statutes and implementing instructions come into play in particular situations. Ultimately the contracting officer's judgment, if well reasoned and objective, must be relied on, on a case by case basis. In this case the contract is for repair services which are labor intensive and the plan does represent the maximum practicable opportunity for participation by Small Disadvantaged Businesses in the judgment of the contracting officer.

CONTRACT F34601-79-G-1442-0086

1. The subcontracting plan submitted in response to RFQ FD2030-80-26030 was the contractor's first exposure to the requirements of PL 95-507. The discrepancies noted by the SBA during review of the initial submission were as follows:

a. Total dollar plan subcontracting, including the total dollar small business and small disadvantaged business subcontracts not included.

b. A description of the principle product and service areas to be subcontracted with identification of small and small disadvantaged business not included.

c. Names and locations of principle small and small disadvantaged business subcontractors with identification of product or service and the dollar value not included.

d. Assurance offeror will submit required reports and cooperate in studies or surveys not included.

2. The discrepancies reported by SBA as well as those noted by the contracting officer and SADBUS were relayed to the contractor. Almost two months of negotiations eventually resulted in a revision to the subcontracting plan which satisfied the concerns of the contracting officer. Unfortunately, the purchasing office failed to coordinate the revisions with the SBA/PCR. We have no criticism of SBA's assessment of the original subcontracting plan and the revised plan which accompanied the contract award fully complied with PL 95-507.

Contractor's proposed goals = 69% (small business), 1% (small disadvantaged business)

SBA recommended goals = none

Negotiated = 69% (small business), 1% (small disadvantaged business)

SBA rationale = none

CONTRACT F34601-79-G-0215-0208

1. This plan was submitted by the contractor 6 June 1980 and referred to SBA for coordination 18 June 1980.

2. SBA found the following discrepancies:

a. Separate percentage goals for utilization as subcontractors of small business and small business owned by socially and economically disadvantaged individual not included.

b. The methods used in developing proposed subcontracting goals not included.

c. The method used to determine allocation of indirect or overhead cost to the program not included.

d. Assurances that offeror will require all subcontractors to adopt a small business plan in compliance with the requirements of DAR 7-104.14(a)(h) not included.

e. Assurances offeror will submit required reports and cooperate in studies or surveys not included.

3. These discrepancies and others noted by the contracting officer were relayed to the offeror and a revised plan was submitted 27 June 1980. The revised plan addressed the discrepancies noted by SBA but did not entirely satisfy two other areas of concern. The sufficiency of the Small Disadvantaged Business goal and the offeror's ability to report on a contract by contract basis was eventually resolved to the PCO's satisfaction on 21 July 1980. The file, however, does not document a recoordination between SBA and the purchasing office. We have no criticism of SBA's assessment of the offeror's initial submission.

Contractor's proposed goals = 10% (small business), 0 (small disadvantaged business)

SBA recommended goals = none

Negotiated = 25% (small business), 0 (small disadvantaged business)

SBA rationale = "0" is not considered a goal

F34601-80-C-0148/PZ0001

Original subcontracting plan was reviewed by SBA and SB(BC) - January 1980.

Revised subcontracting plan, 21 March 1980, with SBA/SB recommended changes, was incorporated into subject contract.

1. Goals

    A. Original Plan no SBA goals indicated.

    B. SBA did not recommend any goals.

    C. Negotiated goals were 18%.

    D. The final accepted plan was coordinated with and concurred by the SBA prior to incorporation in the contract.

4. Flowdown - Insure appropriate subcontracting clauses are included in contractor's purchase orders, terms and conditions.

5. Reports and Studies - Quarterly reports to C.O. and SBA summarizing actual performance versus goals established in the contract.

6. Records - Maintain internal records to determine the extent SB&SDB participates

F34601-80-C-1300

Original subcontracting plan was reviewed by SBA and SB(BC) - March 1980.

Revised subcontracting plan, 29 April 1980, with SBA/SB recommended changes, was incorporated into subject contract.

6 - Records recital

Records maintained source list of suppliers continuously updated re-certified annually.

Statistics on commitments to Small and Small Disadvantaged firms are computerized.

File of potential suppliers capabilities maintained.

F34601-78-C-2932-P00037

Original subcontracting plan was reviewed by SBA and SB/BC January 1981.

Revised subcontracting plan, 12 Feb 81, with SBA/SB recommended changes, was incorporated into subject contract.

- F34601-79-C-2612-P00005

The SBA took exception to the goals established by the contractor for this contract. However, for the avionics items of the E-3A, the Air Force has directed Boeing to utilize the prime manufacturer of the equipment for repair and they are all large businesses. In addition, the E-3A is a Boeing 707 airframe. Boeing has established commercial sources for their effort on the 707 and insists that it would not be to the benefit of the Government to insist that they develop other sources to accomodate the E-3A program.

The Boeing sub-contracting plan establishes that the contractor incorporate the required DAR provisions in the subcontracts in compliance with Public Law 95-507.

The Boeing sub-contracting plan establishes that the contractor shall maintain records in compliance with Public Law 95-507. The plan further delineates what those records shall consist of.

Contractor's proposed goals = 0

SBA recommended goals = none

Negotiated goals = 0

SBA rationale = none

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE SYSTEMS COMMAND
ANDREWS AIR FORCE BASE, DC 20334

14 May 1981

REPLY TO ATTN OF: PMU

SUBJECT: P.L. 95-507 Subcontracting Plans (Your Ltr, 23 Apr 81)

TO: HQ USAF/RDB

1. Attached is the requested assessment of the subcontract plan for each AFSC contract listed in the Small Business Administration (SBA) Annual Report. Included are comments as to the validity of the SBA's findings and any corrective action indicated.

2. We consider it a remarkable achievement that only twenty-one AFSC contracts were cited by SBA as containing subcontract plans with some aspects questioned by SBA. This opinion is based on the many hundreds of plans that have been negotiated, the complexity of the subcontract plan requirement, and its newness to contractors and contracting officers. Moreover, judgments must be made as to what is acceptable and reasonable men can differ as to what, for example, constitutes an adequate records recital. We believe that subcontract plans submitted by contractors have followed a learning curve. Contractors are now much more adept at submitting acceptable plans than when the requirement was first implemented. Likewise, contracting officers are more familiar with what constitutes an acceptable plan. We expect that there will be even fewer disagreements with SBA in the future.

3. Of the twenty-one AFSC contracts cited, corrective action is not considered appropriate in nineteen of the contracts. Of the remaining two, corrective action is being initiated for one contract and the other contract and file have been transferred to SMALC. We have sent a letter to HQ AFLC asking that they review the plan in the contract transferred to SMALC.

[illegible]
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[illegible] Utilization
DCS/Contracting & Manufacturing

1 Atch
Assessment of Subcontract
Plans

Assessment of Subcontract Plans

Problem Area Codes Cited in SBA Report

(1) Goals for small/small disadvantaged business subcontracting
(2) Name/duties of subcontracting program administrator
(3) Description of subcontracting effort
(4) Flowdown subcontracting provisions
(5) Reports and studies recital
(6) Records recital

1. Boeing Company, F04704-78-C-0035 (CCP-0015)

   Problems cited: Codes 1, 4, 5, and 6

   Assessment: The plan is considered to be an acceptable plan. A copy of the plan was provided to the SBA Procurement Center Representative but no comments were received. The goals are considered acceptable and flowdown subcontracting provisions, reports and studies, and records recital are all adequately covered in the plan. The contractor proposed a small business subcontract goal of 11.8% and small disadvantaged subcontract goal of .15%. These goals were accepted by the PCO. The SBA's findings are not considered valid and no corrective action is indicated.

2. Boeing Company, F04701-79-C-0087

   Problems cited: Codes 1, 4, 5, and 6

   Assessment: The plan is considered to be an acceptable plan. A copy of the plan was provided to the SBA Procurement Center Representative but no comments were received. The goals are considered acceptable and flowdown subcontracting provisions, reports and studies, and records recital are all adequately covered in the plan. The contractor proposed a small business subcontract goal of 4.4% and small disadvantaged subcontract goal of .2%. These goals were accepted by the PCO. The SBA's findings are not considered valid and no corrective action is indicated.

3. Grumman Corporation, F40650-80-C-0001, M05

   Problems cited: Codes 2, 5, and 6

   Assessment: The plan is considered to be an acceptable plan. The plan does name the subcontracting program administrator and does set forth his duties. The plan also addresses reports and studies and records recital. Such areas are adequately covered. The SBA's findings are not considered valid and no corrective action is indicated.

4. Ford Aerospace, F04701-77-C-0188 (P00031)

   Problems cited: Codes 1 and 4

   Assessment: The plan is considered to be an acceptable plan. No comments were received from SBA on the goals; only SBA comments received were on the flowdown subcontracting provisions. Acceptable goals were negotiated and the flowdown provisions require subcontractors to adopt a similar plan in accordance with DAR requirements. The contractor proposed and the PCO accepted goals of 15% for small business subcontracting and 15% for small disadvantaged business subcontracting. The SBA's findings are not considered valid and no corrective action is indicated.

5. Ford Aerospace, F04701-77-C-0148 (P00145)

Problems cited: Code 4

Assessment: The plan is considered to be an acceptable plan. The flowdown provisions require subcontractors to adopt a similar plan in accordance with DAR requirements. The SBA's finding is not considered valid and no corrective action is indicated.

6. Boeing Company, F19628-70-C-0218 P00997, P01026, P01036, P01037, P01041, P01053, P01054, P01056, P01058, P01059, P01065, P01080, P01086, P01091, P01109, P01123, P01124, P01130, P01141, P01159, PK0033, and PK0035

Problems cited: Codes 4 and 6

Assessment: The plan is considered to be an acceptable plan. The flowdown provisions require subcontractors to certify that they will adopt a similar plan. A records recital is included. In both instances, the coverage is considered adequate. The SBA findings are not considered valid and no corrective action is indicated.

7. Martin Marietta Corporation, F19628-78-C-0053 (P00014)

Problems cited: Code 5

Assessment: The plan is considered to be an acceptable plan. The SBA Procurement Center Representative made some suggested changes in the reports and studies recital. His suggestions were accepted and incorporated into the plan. The SBA findings are not considered valid and no corrective action is indicated.

8. General Dynamics, F19628-80-C-0087

Problems cited: Code 5

Assessment: The plan is considered to be acceptable. The plan adequately addresses the reports and studies area. The SBA's finding is not considered valid and no corrective action is indicated.

9. Rockwell International, F19628-79-C-0089 (P00004)

Problems cited: Codes 2, 5, and 6

Assessment: This ESD contract was transferred to SMALC (PMZCB/Mr. Carroll Gamble), and they have the complete contract file. In a telephone conversation with Mr. Gamble, it was learned that the SBA problems cited may have merit. Our Executive for Small and Disadvantaged Business Utilization will send a letter to the AFLC Executive asking that he follow-up with SMALC (PMZCB) to assure that corrective action, if required, is initiated.

10. Texas Instruments, F19628-75-C-0155 (P00047)

Problems cited: Code 1

Assessment: The plan is considered to be an acceptable plan. The contractor proposed 0 for small disadvantaged business subcontracting and the SBA Procurement Representative objected to this. He did not make any recommendation as to what the goal should be. A goal of .5% was negotiated. The SBA finding is not considered valid and no corrective action is indicated.

11. General Atronics Corporation, F19628-80-C-0102

Problems cited: Code 1

Assessment: The plan is considered to be an acceptable plan. The contractor proposed goals of 41% for small business subcontracting and .9% for small disadvantaged business. These goals were accepted. The SBA Procurement Center Representative considered the goals too low based on overall achievements of the contractor in FY 79. The PCO concluded the goals accepted were proper based on the individual contract. The SBA finding is not considered valid and no corrective action is indicated.

12. Hughes Aircraft Company, F19628-80-C-0126

Probelms cited: Code 1

Assessment: The plan is considered to be an acceptable plan. The contractor proposed .9% for small disadvantaged business subcontracting. The SBA Procurement Center Representative indicated this was too low but made no recommendation as to what it should be. The PCO accepted the .9%. The SBA finding is not considered valid and no corrective action is indicated.

13. Hughes Aircraft Company, F19628-77-C-0086 (P00038)

Problems cited: Code 1

Assessment: The plan is considered to be an acceptable plan. The contractor proposed 34% for small business subcontracting and 2% for small disadvantaged business subcontracting. The SBA Procurement Center Representative indicated that they were too low. No recommendations were made as to what the goals should be. The PCO accepted the proposed goals. The SBA finding is not considered valid and no corrective action is indicated.

14. Hughes Aircraft Company, F19628-77-C-0086 (P00041)

Problems cited: Code 1

Assessment: The plan is considered to be an acceptable plan. THe contractor proposed 62.2% for small business subcontracting and 1.5% for small disadvantaged business subcontracting. The SBA Procurement Center Representative indicated that they were too low. No recommendations were made as to what the goals should be. The PCO accepted the proposed goals. The SBA finding is not considered valid and no corrective action is indicated.

15. Hughes Aircraft Company, F19628-77-C-0086 (P00042)

Problems cited: Code 1

Assessment: The plan is considered to be an acceptable plan. The contractor proposed 100% for small business subcontracting and 0 for small disadvantaged business subcontracting. The SBA Procurement Center Representative indicated that they were too low. No recommendations were made as to what the goals should be. The PCO accepted the proposed goals. The SBA finding is not considered valid and no corrective action is indicated.

16. Hughes Aircraft Company, F19628-77-C-0086 (PZ0040)

Problems cited: Code 5

Assessment: The plan is considered acceptable. It includes a reports and studies recital which is considered adequate. The SBA finding is not considered valid and no corrective action is indicated.

17. Raytheon Company, F19628-79-C-0023 (P00024)

Problems cited: Code 1

Assessment: The plan is considered to be an acceptable plan. The contractor proposed 1% for small disadvantaged business subcontracting. The SBA Procurement Center Representative recommended 10% but did not provide any rationale other than 1% was too low. The 1% goal was considered proper and was accepted. The SBA finding is not considered valid and no corrective action is indicated.

18. Eaton Corporation, F19628-76-C-0227 (P00037)

Problems cited: Codes 2 and 4

Assessment: The plan is considered acceptable. The name and duties of the subcontracting program administrator are set forth in the plan. Also included is a flowdown subcontracting provision which requires adoption of a similar plan in accordance with the DAR requirement. The SBA findings are not considered valid and no corrective action is indicated.

19. Boeing Company, F19628-80-C-0034

Problems cited: Codes 4, 5, and 6

Assessment: The plan is considered to be an acceptable plan. The flowdown subcontracting provision requires subcontractors to certify that they will adopt a similar plan. The records recital is adequately set forth in the plan. The reports and studies recital is weak. The contracting officer intends to amend the plan to include the reports and studies recital as set forth in DAR 7-104.14(b)(5).

20. Boeing Company, F19628-80-C-0007

Problems cited: Codes 4 and 6

Assessment: The plan is considered to be an acceptable plan. The flowdown provisions require subcontractors to certify that they will adopt a similar plan. An adequate records recital is included. The SBA findings are not considered valid and no corrective action is indicated.

21. Boeing Company, F19628-79-C-0053

Problems cited: Codes 4 and 6

Assessment: The plan is considered to be an acceptable plan. The flowdown provisions require subcontractors to certify that they will adopt a similar plan. An adequate records recital is included. The SBA findings are not considered valid and no corrective action is indicated.

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA VIRGINIA 22314

DLA-PPR

2[illegible] 1981

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE, RESEARCH AND ENGINEERING (ACQUISITION POLICY)

SUBJECT: Contracts Not In Compliance with P. L. 95-507

Enclosures 1 through 14 are furnished in response to your memorandum dated 16 June 1981 that furnished a copy of the Small Business Administration's (SBA) Annual Report to the House and Senate Committees on Small Business regarding subcontracting plans and requested that a review and report be made of each negotiated contract reported by the SBA as not complying with P.L. 95-507.

The SBA reported that twenty-five contracts awarded by the Defense Logistics Agency (DLA) did not contain maximum practicable opportunities for small and disadvantaged business concerns to participate in the performance of contracts described in Section 8(d)(4) and (5) of P.L. 95-507. The following observations are based on information furnished by the contracting activities that awarded the fourteen negotiated contracts covered by this Report.

a. The contract files in most instances included no indication that the SBA had found the plans to be unacceptable, and the SBA Annual Report was the first notice that such was the case. At the time most of the contracts in the Report were awarded, the Office of Procurement Policy (OFPP) Letter 80-2 had not been implemented by the Department of Defense, yet the Procurement Center Representative (PCR) commented in some instances that the plan did not meet the requirements of OFPP Letter 80-2.

b. Your memorandum requested that in our report we provide the "goal recommended by SBA" where goals were found unacceptable by SBA. No goals were documented in the contract files as having been recommended by the PCR.

c. Several of the contracts cited in the SBA Annual Report were awarded without benefit of comments from the PCR. Documentation in the contract files reveals excessive time elapsed between submission of subcontracting plans to the PCR and receipt of their comments. Contracts were awarded without the PCR input in accordance with DAR 1-707.2(b)(vi) which provides that "Failure of the PCR to respond to the PCO in a reasonable time shall not delay award of the contract."

d. All DLA contracts in the Report were awarded early in our implementation of P.L. 95-507 when policy and procedures had not been clearly defined. Most of the subcontracting plans found to be unacceptable were initial submissions by the contractors. We believe that, as experience has been gained by the contracting activities and the contractors and policy and procedures have been refined, plans either meet the requirements of P.L. 95-507 or, in the negotiated acquisitions, plans are not accepted until all six elements required by DAR clause 7-104.14(b) are acceptable to the contracting officer and the SBA.

Special comments are furnished in each of the Enclosures. They identify the deficiencies reported for the specific contract and reflect SBA and/or contracting officer's comments relative to the subcontracting plans that were accepted for the individual contract.

FOR THE DIRECTOR:

RJ Chiesa

14 Encls

R. F. CHIESA
Executive Director
Contracting

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA400-80-C-3691

B. CONTRACTING ACTIVITY: Defense General Supply Center (DGSC)

C. DOLLAR VALUE OF CONTRACT: $2,563,680

D. ITEM PROCURED: Cannister, oxygen, breathing apparatus

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Small Business: $386,230.71 (80 percent)

Small Disadvantaged Business: $5,047.35 (one percent)

(2) Goal accepted by contracting officer:

Small Business: $386,230.71 (80 percent)

Small Disadvantaged Business: $5,047.35 (one percent)

(3) Goal recommended by SBA:

None

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

The SBA did not recommend additional sources.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

The SBA PCR found that the plan appeared to meet the requirements outlined in P.L. 95-507.

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

The SBA PCR commented that the plan did not meet the requirements of the Office of Federal Procurement Policy Letter 80-2.

SPECIAL COMMENTS: The SBA annual report found deficiencies in the goals, description of subcontracting effort and reports and studies recital. The DGSC advised that: The contract was awarded 29 September 1980. The PCR reviewed the subcontracting plan and commented on 30 June 1980 in a memorandum to the Contracting Officer that "The subject subcontract plan appears to meet the requirements outlined in Public Law 95-507. This office, therefore, concurs in the acceptability of the plan as it applies to Public Law 95-507." The PCR further noted "that some of the categories of products listed for subcontracting should provide greater opportunity for small disadvantaged business participation than has been reflected in the goals. Also, this office finds that the subject subcontract plan does not meet the requirements of the Office of Federal Procurement Policy Letter Number 80-2."

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0383

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $176,887,361

D. ITEM PROCURED: Aviation gasoline, JP-4 and JP-5

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

None. Offer stated that only large business sources were known to supply products to be subcontracted.

(2) Goal accepted by contracting officer:

None. Accepted offeror's statement.

(3) Goal recommended by SBA:

None.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

See Special Comments below.

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

See Special Comments below.

SPECIAL COMMENTS: The SBA Annual Report listed elements numbered 1, 2, 4, 5 and 6 were deficient. The DFSC advised that no comments were received prior to award on the plan submitted to the SBA PCR on 26 March 1980. Comment from the PCR dated 26 June 1980 was that the plan was not in compliance with all the elements. However, the PCR did not request corrections of the plan.

Enclosure 2

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0388

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $81,323,649

D. ITEM PROCURED: JP-5

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

None. Only large business sources were known to supply products to be subcontracted.

(2) Goal accepted by contracting officer:

None. Accepted contractors allegation of no known Small Business or Small Disadvantaged Business Concerns supplied products to be contracted.

(3) Goal recommended by SBA:

None.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the SBA.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

See Special Comments below.

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

See Special Comments below.

SPECIAL COMMENTS: Elements 1, 2, 3, 4, and 5 of the plan were reported by SBA to be deficient. DFSC advised us that the plan was submitted to the SBA PCR on 27 March 1980. Award was made without comments from the PCR. No comments were received from the PCR after award.

Enclosure 3

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0385

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $79,290,000

D. ITEM PROCURED: JP-5

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Not applicable

(2) Goal accepted by contracting officer:

Not applicable

(3) Goal recommended by SBA:

Not applicable

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

Not applicable

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

See Special Comments below

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

See Special Comments below

SPECIAL COMMENTS: The SBA Annual Report showed that the flow down subcontracting provisions and reports and studies recital were deficient. The DFSC advised that the plan was submitted to the SBA PCR on 27 March 1980. No comments were received from the PCR prior to award of the contract. The PCR commented on 13 June 1980 that the plan was deficient but did not request that it be corrected. A letter dated 3 March 1981 from the SBA in the contract file states that the contractor is in compliance with contractual obligations.

Enclosure 4

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0386

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $154,239,500

D. ITEM PROCURED: JP-4 and JP-5

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

None. Only large business sources were known to supply products to be subcontracted.

(2) Goal accepted by contracting officer:

None. Accepted contractor's allegation of no known Small Business or Small Disadvantaged Business Concerns supplied products to be contracted.

(3) Goal recommended by SBA:

None.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the SBA.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA Annual Report showed that the plan was deficient in its goals and name/duties of subcontracting program administrator. The DFSC advised that the plan was submitted to the SBA PCR on 27 March 1980. No comments from the PCR were received prior or subsequent to award of the contract.

Enclosure 5

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0380

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $37,454,280

D. ITEM PROCURED: JP-4

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Not applicable

(2) Goal accepted by contracting officer:

Not applicable

(3) Goal recommended by SBA:

Not applicable

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

Not applicable

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

See Special Comments below.

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

See Special Comments below.

SPECIAL COMMENTS: The SBA Annual Report showed the plan was deficient in flow down subcontracting provisions and reports and studies recital. The DFSC advised that the plan was submitted to the SBA PCR on 27 March 1980. No comments were received from the PCR either prior or subsequent to award.

Enclosure 6

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0362

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $37,454,280

D. ITEM PROCURED: JP-4

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

None. Only large business sources were known to supply products to be subcontracted.

(2) Goal accepted by contracting officer:

None. Accepted contractor's allegation of no known Small Business or Small Disadvantaged Business Concerns supplied products to be contracted.

(3) Goal recommended by SBA:

None

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the SBA.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

See Special Comments below.

SPECIAL COMMENTS: The SBA Annual Report showed that the plan was deficient in goals, name/duties of subcontracting program administrator and reports and studies recital. The DFSC advised that the plan was submitted to the SBA PCR on 27 March 1980. No comments were received from the PCR before or after award of the contract.

Enclosure 7

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-79-D-0397

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $69,887,400

D. ITEM PROCURED: JP-4 and JP-5

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Not applicable

(2) Goal accepted by contracting officer:

Not applicable

(3) Goal recommended by SBA:

Not applicable

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

Not applicable

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA Annual Report showed the plan was deficient in the name/duties of the subcontracting program administrator. The DFSC advised that the plan was submitted to the SBA PCR on 18 June 1980 and on 23 June 1980 the PCR commented that the plan met the minimum requirement of P.L. 95-507 with the exception of listing the duties of the administrator. This deficiency was corrected prior to award of the contract. The contract file does not show whether the PCR was notified that the plan was corrected.

Enclosure 8

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA900-80-C-2236

B. CONTRACTING ACTIVITY: Defense Electronics Supply Center (DESC)

C. DOLLAR VALUE OF CONTRACT: $950,400

D. ITEM PROCURED: Electron receiving tubes

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Zero percent

(2) Goal accepted by contracting officer:

Zero percent

(3) Goal recommended by SBA:

No recommendation of specific goals was made by the SBA PCR.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the PCR.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA reported the subcontracting goals of the plan were deficient. The DESC advised that the plans were submitted to the SBA PCR on 21 April 1980. Comments by the PCR were not received until 18 June 1980. The SBA Regional Office, Boston, recommended disapproval because there were no plans for participation by any small disadvantaged business concerns. The prime contractor plans to phase out the manufacture of receiving tubes by 1983 and has had difficulty retaining suppliers on the component parts and material because of dwindling needs. They are, therefore, reluctant to encourage new suppliers to make the necessary investment to compete for parts and material. The Contracting Officer agreed with the offeror's plan with zero percent goals and awarded the contract despite the SBA recommendation of disapproval.

Enclosure 9

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA900-80-C-2315

B. CONTRACTING ACTIVITY: Defense Electronics Supply Center (DESC)

C. DOLLAR VALUE OF CONTRACT: $555,322.74

D. ITEM PROCURED: Electron receiving tubes

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Zero percent

(2) Goal accepted by contracting officer:

Zero percent

(3) Goal recommended by SBA:

No recommendation of specific goals was made by the SBA PCR.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the PCR.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA reported the subcontracting goals of the plan were deficient. The DESC advised that the plans were submitted to the SBA PCR on 21 April 1980. Comments by the PCR were not received until 18 June 1980. The SBA Regional Office, Boston, recommended disapproval because there were no plans for participation by any small disadvantaged business concerns. The prime contractor plans to phase out the manufacture of receiving tubes by 1983 and has had difficulty retaining suppliers on the component parts and material because of dwindling needs. They are, therefore, reluctant to encourage new suppliers to make the necessary investment to compete for parts and material. The Contracting Officer agreed with the offeror's plan with zero percent goals and awarded the contract despite the SBA recommendation of disapproval.

Enclosure 10

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA900-80-C-2319

B. CONTRACTING ACTIVITY: Defense Electronics Supply Center (DESC)

C. DOLLAR VALUE OF CONTRACT: $736,244.82

D. ITEM PROCURED: Electron receiving tubes

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Zero percent

(2) Goal accepted by contracting officer:

Zero percent

(3) Goal recommended by SBA:

No recommendation of specific goals was made by the SBA PCR.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the PCR.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA reported the subcontracting goals of the plan were deficient. The DESC advised that the plans were submitted to the SBA PCR on 21 April 1980. Comments by the PCR were not received until 18 June 1980. The SBA Regional Office, Boston, recommended disapproval because there were no plans for participation by any small disadvantaged business concerns. The prime contractor plans to phase out the manufacture of receiving tubes by 1983 and has had difficulty retaining suppliers on the component parts and material because of dwindling needs. They are, therefore, reluctant to encourage new suppliers to make the necessary investment to compete for parts and material. The Contracting Officer agreed with the offeror's plan with zero percent goals and awarded the contract despite the SBA recommendation of disapproval.

Enclosure 11

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA900-80-C-2218

B. CONTRACTING ACTIVITY: Defense Electronics Supply Center (DESC)

C. DOLLAR VALUE OF CONTRACT: $1,648,350

D. ITEM PROCURED: Electron receiving tubes

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Zero percent

(2) Goal accepted by contracting officer:

Zero percent

(3) Goal recommended by SBA:

No recommendation of specific goals was made by the SBA PCR.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the PCR.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA reported the subcontracting goals of the plan were deficient. The DESC advised that the plans were submitted to the SBA PCR on 21 April 1980. Comments by the PCR were not received until 18 June 1980. The SBA Regional Office, Boston, recommended disapproval because there were no plans for participation by any small disadvantaged business concerns. The prime contractor plans to phase out the manufacture of receiving tubes by 1983 and has had difficulty retaining suppliers on the component parts and material because of dwindling needs. They are, therefore, reluctant to encourage new suppliers to make the necessary investment to compete for parts and material. The Contracting Officer agreed with the offeror's plan with zero percent goals and awarded the contract despite the SBA recommendation of disapproval.

Enclosure 12

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA900-80-C-2332

B. CONTRACTING ACTIVITY: Defense Electronics Supply Center (DESC)

C. DOLLAR VALUE OF CONTRACT: $617,460

D. ITEM PROCURED: Electron receiving tubes

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Zero percent

(2) Goal accepted by contracting officer:

Zero percent

(3) Goal recommended by SBA:

No recommendation of specific goals was made by the SBA PCR.

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

No additional sources were recommended by the PCR.

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA reported the subcontracting goals of the plan were deficient. The DESC advised that the plans were submitted to the SBA PCR on 21 April 1980. Comments by the PCR were not received until 18 June 1980. The SBA Regional Office, Boston, recommended disapproval because there were no plans for participation by any small disadvantaged business concerns. The prime contractor plans to phase out the manufacture of receiving tubes by 1983 and has had difficulty retaining suppliers on the component parts and material because of dwindling needs. They are, therefore, reluctant to encourage new suppliers to make the necessary investment to compete for parts and material. The Contracting Officer agreed with the offeror's plan with zero percent goals and awarded the contract despite the SBA recommendation of disapproval.

Enclosure 13

CONTRACTS NOT IN COMPLIANCE WITH P.L. 95-507

A. CONTRACT NUMBER: DLA600-80-D-0378

B. CONTRACTING ACTIVITY: Defense Fuel Supply Center (DFSC)

C. DOLLAR VALUE OF CONTRACT: $55,968,358

D. ITEM PROCURED: JP-4

E. WHERE GOAL WAS FOUND UNACCEPTABLE BY SBA PROVIDE:

(1) Goal recommended by prime contractor:

Not applicable

(2) Goal accepted by contracting officer:

Not applicable

(3) Goal recommended by SBA:

Not applicable

(4) Information as to whether SBA provided any additional small business and/or small disadvantaged business sources:

Not applicable

F. REASON(S) WHY SBA FOUND THE RECITAL OF RECORDS TO BE UNACCEPTABLE:

Not applicable

G. OTHER INFORMATION UPON WHICH SBA DETERMINED THE PLAN TO BE UNACCEPTABLE:

Not applicable

SPECIAL COMMENTS: The SBA Annual Report showed the plan was deficient in name/duties of the subcontracting program administrator, flow down subcontracting provisions, reports and studies recital and records recital. The DFSC advised that the plan was submitted to the SBA PCR on 27 March 1980. The PCR did not furnish comments on the plan to the Contracting Officer either before or after award of the contract.

Enclosure 14

MEMORANDUM FOR Director, Legislative Reference Service

SUBJECT: Misc. 1767, proposed legislation, "To amend chapter 14A of title 15, United States Code, to limit the role of the Small Business Administration certifying small business concerns for government contracts".

The following comments are provided in response to your memorandum, subject as above, dated June 5, 1981.

The Certificate of Competency (CoC) Program was first enacted into law in the Small Business Mobilization Act, P.L. 77-603 (1942). A major reason for enacting the Program was to "mobilize the Nation's full productive capacity, including both large and small plants".

The provisions of the CoC Program were reenacted in the Defense Production Act of 1950, and the Small Business Acts of 1953 and 1958. The most recent legislation concerning the program was P.L. 95-89 which broadened the Small Business Administration's (SBA) authority to include all elements of responsibility and also manufacturer/regular dealer eligibility under the Walsh-Healey Public Contracts Act.

The purpose of the CoC Program is to:

1) Provide an appellate procedure for specific small firms whose bid or proposal is to be rejected because of a negative responsibility determination by a contracting officer.

2) To encourage small businesses to compete for Government contracts and thereby increase competition and widen the national industrial base.

3) To enable small businesses through SBA assistance to cure deficiencies and to become reestablished as sources of supply.

4) Reduce the cost of goods and services to the Government by ensuring that responsible low bidders receive contract awards.

It must be pointed out that the purposes of the CoC Program are valid whether the second low bidder is large or small business.

The Program was created to help specific small firms gain entry or reentry to the Government procurement arena. To limit the Program to cases where the second low bidder was large business would penalize small firms bidding on small business set-aside procurements. Without the protection of the CoC Program, competition for set-aside procurements would decline because small firms generally would not want to risk the cost of bid preparation only to be denied a contract as a result of an erroneous decision by DCAS and/or a contracting officer.

This office objects to the proposal as set forth in the memorandum as it would not provide "due process" to the small firm which submitted the lowest responsive offer and whose responsibility is questioned by a contracting activity.

Following the recommended proposal would not expand the Defense industrial base which was one of the main reasons for the establishment of the CoC program. This is a most important consideration at the present time when the shortcomings in our national industrial mobilization base are most evident.

CoC actions represent a very small problem to the Department of Defense (DoD) when one considers that in FY 1980 DoD awarded to small business 98,774 contracts valued at over $10,000. During this period there were only 1,582 referrals (1.6%) to the Small Business Administration for CoC action of which only 346 (0.35%) were approved for award. See attached letter to Senator William S. Cohen at Enclosure 1. Further, if the base of examination of the total awards made to U.S. business firms is expanded to include large and small firms which provides a more realistic evaluation of the CoC Program on the procurement process, then the percentage of referrals drops to 0.55 percent and the percent approved by SBA for award drops to 0.12 percent. In view of these considerations, it is difficult to make a persuasive case that DoD is being seriously and adversely affected by the CoC Program.

The experience cited in the referenced memorandum is based on the Defense Logistics Agency (DLA) experience which is not similar to the experience of the Military Departments because DLA's small business vendors outnumber any of the Military Departments number of small business vendors by a factor of three or four to one.

It can be accepted that not only will SBA fight this change but it should be expected that Congressman Addabbo himself will also object to the proposed change as he personally authored the changes to Public Law 95-89. See Enclosure 2.

DoD is already experiencing more than enough difficulty with the House Small Business Committee and Congressman Addabbo personally without submitting the proposed change which would not be in DoD's best over-all interest. Accordingly, it is strongly recommended that no action be taken to change the Small Business Act in this regard.

NORMA B. LEFTWICH
Director, Office of Small and
Disadvantaged Business Utilization

Enclosures
a/s

DEPARTMENT OF DEFENSE
OFFICE OF GENERAL COUNSEL
WASHINGTON, D.C. 20301

June 5, 1981

MEMORANDUM FOR SECRETARY OF THE ARMY
Attention: Chief of Legislative Liaison

SECRETARY OF THE NAVY
Attention: Chief of Legislative Affairs

SECRETARY OF THE AIR FORCE
Attention: Director, Legislative Liaison

UNDER SECRETARY OF DEFENSE FOR
RESEARCH AND ENGINEERING
Attention: Assistant General Counsel
(Logistics)

ASSISTANT TO THE SECRETARY OF DEFENSE
(Legislative Affairs)

INFORMATION FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
Attention: Counsel

SUBJECT: Misc. 1767, proposed legislation, "To amend chapter 14A of title 15, United States Code, to limit the role of the Small Business Administration certifying small business concerns for government contracts."

Comments of the addressees on the attached draft proposal are requested not later than June 19, 1981.

Werner Windus

Werner Windus
Director
Legislative Reference Service

Enclosure

ATTACHMENT 4

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

There is forwarded herewith proposed legislation, "To amend chapter 14A of title 15, United States Code, to limit the role of the Small Business Administration in certifying small business concerns for government contracts."

This proposal is part of the Department of Defense legislative program for the 97th Congress. The Office of Management and Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this proposal for the consideration of the Congress. The proposal is also being sent to the President of the Senate.

Purpose of the Legislation

The purpose of the proposed legislation is to modify section 637(b) of Title 15, United States Code, by providing an exception to the mandatory referral to the Small Business Administration of a contracting agency's determination that a small business is non-responsible.

The proposed legislation is necessary because the mandatory referral has deprived many responsible small businesses of contracts because they, as second low offeror, in fact, have been most often in line to receive award when contracting agencies have determined that the low offer was from a non-responsible small business.

Procurement statutes require federal agencies to award contracts on a competitive basis. To assure that the Government is not compelled to accept a low bid proposed by one who is unable to perform the contract, the statutes require that award be made to a "responsible" bidder (see e.g., 10 U.S.C. 2305).

In general, Congress intends that the determination of a bidder's responsibility be made by the procuring agency which "is naturally best qualified to make this evaluation" (see e.g. S. Rep. No. 571, 80th Cong., 1st Sess., 2 U.S. Code Cong. & Admin. News, 1048, 1064 (1948)). Courts and the General Accounting Office accord procuring agencies wide latitude in reviewing complaints against responsibility determinations. (See e.g. Keco Industries v. United States, 492 F. 2d 1200, 1205; Ct. Cl. No. 173-69, decided February 20, 1974, Central Metal Products, B-181724, July 26, 1974, 54 Comp. Gen. 66 (1974)).

Notwithstanding the general acceptance of the principle that procuring agencies are naturally best qualified to evaluate a bidder's responsibility, since 1942 various statutes have enabled other agencies:

> "to certify to Government Procurement officers with respect to the competency. . . of any small business concern or groups of concerns to

perform a specific Government contract." (Act of June 11, 1942, Public Law 603, 56 Stat. 352) (emphasis supplied).

Prior to 1977, these statutes were designed to "give small businesses definite assurance of a fair share of prime contracts." (S. Rep. No. 470, 82nd Cong., 1st Sess., 2 U.S. Code Cong. & Admin. News, 1584, 1645, (1951)). Pre-1977 certificate authority was generally limited to the capacity and credit of small business, and was somewhat advisory in nature. Initially established in the Small Defense Plants Corporation, certification authority was transferred to the Small Business Administration upon its creation in 1953.

The 1977 Amendments to the Small Business Act, Public Law 95-89, Stat. 15 U.S.C. 637(b), changed the certificate authority from a measure to assure award of a fair proportion of prime contracts to small business to a near mandate to give small business award each time it submits the low bid. The scope of certification was expanded to cover all elements of responsibility, including eligibility as a regular dealer or manufacturer under the Walsh-Healey Public Contracts Act. Public Law 95-89 directs officers of the Government having procurement or property disposal powers to accept SBA's certificate as conclusive.

Although Public Law 95-89 resulted in subordinating the needs of agencies to acquire essential goods and services to a desire to increase awards of contracts to small business, it is not likely that Congress intended such subordination when the results would not increase contract awards to small business. For example, during Fiscal Year 1980, the Defense Logistics Agency awarded 10 contracts to small businesses based on SBA's certification. In 79 of the 101 cases, the next low offeror was also a small business which was deprived of award because of the conclusive effect of the low bidder's certification. Moreover, in these cases although this procedure resulted in no additional award to small business, it did result in extending the administrative time needed for processing bids to award by an average of 41 days.

The Department of Defense is strongly committed to the small business program. We do not believe, however, that the small business program is well-served by forcing agencies, including DoD, to contract with non-responsible offerors, particularly when the next low offeror is a small business.

For the foregoing reasons, DoD recommends that the Small Business Act be modified to permit Government officers having procurement or property disposal powers to determine whether a small business is eligible for award of a Government contract, without referring the matter to the Small Business Administration, when the next qualified or eligible offeror is a small business. The language effecting this amendment is attached hereto.

Cost and Budget Data

Enactment of this proposal would cause no increase in budgetary requirements of the Department of Defense.

Sincerely,

A BILL

To amend Chapter 14A of title 15, United State Code, to limit the role of the Small Business Administration in certifying small business concerns for government contracts.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, that Chapter 14A of title 15 of the United States Code, as amended, is further amended as follows:

Section 637(b)(7)(A) is amended:

(a) by striking the period at the end thereof; and

(b) by adding at the end thereof "except when the next qualified or eligible offeror is a small business."

OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

Honorable William S. Cohen
Chairman, Committee on Governmental
Affairs, Subcommittee on Oversight
of Government Management
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in reply to your request for information regarding the application of the Small Business Administration's Certificate of Competency (CoC) program in the Department of Defense (DoD).

The following information is provided in answer to the questions in your letter:

1. What has been the Defense Department's experience in awarding contracts to firms as a result of their receiving a CoC from SBA? Have these firms generally performed satisfactorily?

The Army conducted a sample review of representative Army Commands and found that during Fiscal Year 1980 SBA issued 105 CoC's on which 80 contractors performed satisfactorily and 25 did not.

The Navy reported that during the period FY 1979 through the first half of FY 1981 SBA issued 141 CoC's on which 111 contractors performed satisfactorily and 30 did not.

The Air Force reported that during the period FY 1978 through the first half of FY 1981 SBA issued 114 CoC's on which 85 contractors performed satisfactorily and 29 did not.

The Defense Logistics Agency (DLA) reported that during FY 1980 SBA issued 101 CoC's on which 74 contractors performed satisfactorily (18 of these marginally satisfactorily) and 27 unsatisfactorily.

Any examination of the CoC program must examine the foregoing information in relation to the total number of contracts made to small business by DoD in order to determine the magnitude of any problem which may exist regarding the CoC program. The following shows the number of contract awards valued in excess of $10,000 made by the Military Departments and the Defense Logistics Agency to small business firms, the number of awards referred by each to SBA for CoC action and the number of referrals approved by SBA for contract award.

Fiscal Year 1979

	USA	USN	USAF	DLA	TOTAL
No. of Contracts	23,112	26,020	18,569	21,869	91,146*
CoC Referrals	615	236	221	335	1,397
Percent	2.66	0.90	1.19	1.53	1.53
SBA Approvals	102	48	30	63	243
Percent	0.44	0.18	0.16	0.28	0.26

*The foregoing sample includes only contracts awarded to small business. If the sample is expanded to include all awards (including small and large business) then the universe increases from 91,146 to 265,110 awards which more accurately depicts the effect of the CoC program on the procurement process. On this basis, the CoC referral rate drops to 0.52 percent and the rate of SBA approvals falls to 0.09 percent which is miniscule.

Fiscal Year 1980

	USA	USN	USAF	DLA	TOTAL
No. of Contracts	23,856	28,690	20,859	23,558	98,774*
CoC Referrals	686	265	239	392	1,582
Percent	2.87	0.92	1.14	1.66	1.60
SBA Approvals	131	67	34	114	346
Percent	0.54	0.23	0.16	0.48	0.35

*This figure increases to 289,774 when including awards to large business which results in dropping the CoC referral percentage to 0.55 and the SBA approval percentage to 0.12 for all contract actions, again an insignificant amount.

The foregoing indicates two things: (1) small business firms overall perform most satisfactorily, and (2) the SBA is judicious in approving small firms for awards because of CoC action.

Our review indicates that while some delays result whenever a CoC action is involved, the effect on national defense varies greatly predicated on the item being procured and the length of time involved to resolve the CoC action. Again, a balanced and objective review of the CoC program can not be properly accomplished by directing the thrust of the examination to the number of small firms which failed to perform properly as similar failures occur by large business firms as evidenced by late deliveries, unsatisfactory product and cost overruns.

Recognizing the foregoing considerations, we believe that overall the small firms which have received CoC's have performed satisfactorily as indicated for Fiscal Year 1979 (the latest year for which most contracts are completed).

	USA	USN	USAF	DLA	DOD	PERCENT
Completed Award of Schedule	31	3	5	16	55	29.9
Completed on Schedule	35	20	11	27	93	50.6
Completed Behind Schedule	7	6	4	9	26	14.1
Terminated for Convenience	4	0	1	2	7	3.8
Terminated for Default	0	1	1	1	3	1.6
Total Contracts Completed					184	100.0
Contracts Not Completed					18 202	

2. On March 3, 1980, SBA established criteria for issuring Certificates of Competency on the basis of tenacity, perseverance, and integrity. Are you satisfied with the changes which SBA made in its standards for awarding CoCs?

The changes made by SBA in its rules and regulations are based on the provisions of Public Law 95-89 which gave SBA the authority to issue CoC's on the basis of these three additional considerations. To put this matter in proper perspective, it should be noted that during FY 1980 of the 98,774 awards made to small business only 31 awards or 0.0003 percent involved CoC referral action based on tenacity, perseverance, and integrity (TPI). During this period, there were 1,582 cases referred by DoD activities to SBA for CoC action. Of the 31 TPI cases, SBA approved only six for award.

Based on the foregoing, it is difficult to make a case that DoD has been adversely affected as a result of this change.

3. Do you have any suggestions for improvements in SBA's procedures?

No, we do not.

4. Do you believe the CoC program should be abolished? If so, why?

We do not believe the CoC program should be abolished because we believe an effective national security capability is not possible without a strong and viable small business community. The CoC program contributes to the attainment of this objective by providing a form of assistance to small business firms which is not available from any other source.

In accordance with your instructions, we have provided the foregoing information to the Subcommittee on Oversight of Government Management.

Sincerely,

NORMA B. LEFTWICH
Director, Office of Small and
Disadvantaged Business

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AREA CODE 202

June 1, 1981

RECEIVED
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OFFICE OF THE
SECRETARY OF
THE NAVY

The Honorable John F. Lehman, Jr.
Secretary
Department of the Navy
The Pentagon, Room 4E686
Washington, D.C. 20350

Dear Mr. Secretary:

I have been informed of several procurement practices now being used by the United States Navy which seem to circumvent the plenary authority of the Small Business Administration to determine whether a small business possesses the responsibility to perform federal contracts.

Specifically, your contracting officers appear to be in violation of Public Law 95-89 and of our legislative intent by their improper administration of master agreement programs involving Master Ship Repair Contracts and Basic Ordering Agreements. In both cases, your contracting officers are pre-determining the ability of small businesses from being evaluated on any particular contract. This system robs the Small Business Administration of its plenary authority to determine matters of responsibility.

In 1977 as Chairman of the Subcommittee on General Oversight and Minority Enterprise, House Committee on Small Business, I sponsored legislation which prohibits these procurement practices. P.L. 95-89 amended the Small Business Act to, once and for all, instruct that the absolute and plenary authority which Congress granted to the Small Business Administration is binding on all contracting officers of the United States. All questions concerning a small business' ability to perform a contract must be referred to the Small Business Administration. As I then stated as the House Floor Manager urging passage of H.R. 692 (P.L. 95-89): "The term 'responsibility' includes not only all elements of capability, competency, capacity, credit, integrity, perseverance, and tenacity, but also any other factors which procuring activities may determine, now or in the future, relate to the ability of a small business firm to successfully complete a specific Government contract." * Since then, the Amendment has been consistently interpreted by the Comptroller General as requiring referral to the SBA of any question concerning the abilities of a small business. **

In Master Ship Repair Contract job order solicitations and awards, you are using a prequalification procedure to pre-determine which firms may receive a Master Ship Repair Contract. Your contracting officers, if they choose to issue a particular solicitation utilizing the Master Ship Repair Contract form, will allegedly refuse to open and evaluate the bids of anyone not "eligible" for Master Ship Repair contracts. The Navy's practice in this regard also appears to be in contravention of a letter which the Navy sent to the Comptroller General in the Matter of Triple "A" Machine Shop, Inc., B-179108 (9/17/73). Therein, the Office of the General Counsel of the Navy stated that if a company did not hold a Master Ship Repair Contract, but was able to perform on a particular solicitation, then either the company should be awarded the Master Ship Repair Contract, or the form of the solicitation should be changed.

Your contracting officers also appear to be subverting the authority of the Small Business Administration in their manner of soliciting and awarding contracts for the repair of shipboard rotating components, particularly pumps. The procedure being followed by your contracting officers is to award Basic Ordering Agreements to only original pump manufacturers, to the exclusion of other firms with demonstrated ability to perform. * The basis for this exclusion is apparently that only the original equipment manufacturers are competent to handle pump repairs. The contracting officers are administrating the solicitation and award of contracts in this manner despite the fact that there are small businesses who have been making repairs with good histories of repair work behind them.

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* The Amendment was passed by the House with 381 yea votes and not one nay vote.

** See, e.g., Matter of OFPP's File Production Contracting System, B-198360 (12/9/80) (OFPP must refer all negative determinations of prequalification eligibility to the Small Business Administration), Matter of Fairburn Marine Aviation, B-187062 (12/22/76) (Whether or not an applicant is eligible for a Master Ship Repair Contract is a matter of responsibility), Matter of International Business Investments, Inc., B-198894 (2/23/81) (Notwithstanding a contrary DAR provision, a question which concerns a small business' "eligibility" must be referred to the Small Business Administration because it relates to a concern's performance capacity rather than the concern's promise to perform).

A specific instance of the exclusion of a small business has been brought to my attention by Representative Duncan Hunter from the State of California. Mr. Hunter's district includes the City of San Diego where the Naval Yard is utilizing Basic Ordering Agreements and Master Ship Repair Contracts in such a manner so as to allegedly result in a systematic defacto debarment and boycott of Ram Enterprises, Inc.

These actions are particularly disturbing in light of recent findings that our nation's industrial base is inadequate to fulfill the current upsurge in defense production. A policy of excluding qualified firms from competing, without any individual assessment of competency, can only worsen our defense production capability.

I request that you look into this policy. Would you also review the case of Ram Enterprises, and take any legal means available to give that firm and others the chance to compete for ship repair contracts. Finally, would you report to me your overall findings, and state the steps you have taken to assure that small businesses are allowed to contribute to our country's great need for better defense production capability.

With kindest regards and best wishes, I am

Sincerely,

JOSEPH P. ADDABBO, M.C.

JPA:nks

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* I understand that at least one Original Equipment Manufacturer is currently performing under a BOA despite the fact that portions of that work do not relate to the repair of its "original equipment."

OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON D C 20301

RESEARCH AND
ENGINEERING

17 August 1981

Honorable William S. Cohen
Chairman, Committee on Governmental
  Affairs, Subcommittee on Oversight
  of Government Management
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in reply to your request for information regarding the application of the Small Business Administration's Certificate of Competency (CoC) program in the Department of Defense (DoD).

The following information is provided in answer to the questions in your letter:

1. What has been the Defense Department's experience in awarding contracts to firms as a result of their receiving a CoC from SBA? Have these firms generally performed satisfactorily?

Answer: The Army, Navy, Air Force, and the Defense Logistics Agency have statistically analyzed their experiences with contracts awarded after receipt of a CoC from SBA. The periods and number of months covered by the four analyses do not exactly coincide; however, these statistics are from FY 1979 and later.

	USA	USN	USAF	DLA	Total DoD
CoC's Issued	105	141	114	101	461
Satisfactory Performance	80	111	85	74	350
Unsatisfactory Performance	25	30	29	27	111

2. On March 3, 1980, SBA established criteria for issuing CoC's on the basis of tenacity, perseverance, and integrity, Are you satisfied with the changes which SBA made in its standards for awarding CoC's?

Answer: We believe that SBA has acted judiciously in exercising its authority to determine tenacity, perseverance, and integrity (TPI) of small business firms referred to it for such determinations. The following FY 1980 statistics portray this situation:

1,582 total CoC referrals for SBA decision
346 total CoC's issued by SBA
31 were TPI referrals
6 TPI CoC's issued

3. Do you have any suggestions for improvements in SBA's procedures?

Answer: No

4. Do you believe the CoC program should be abolished? If so, why?

Answer: No

In accordance with your instructions, we have provided this response to the Subcommittee on Oversight of Government Management.

R. F. Trimble
ROBERT F. TRIMBLE
Acting Deputy Under Secretary
(Acquisition Management)

Prepared by: S. Tesko/mws/19Jun81/SBEUP/2A340/7491
Rewritten: Mr. Trimble/sr/17Aug81/78177

M&RS (2)
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OATSD(LA)
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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

21 JUL 1981

Memorandum For: Director, Contracts and Systems Acquisition

Subject: Annex _____ Certificate of Competency Procedures

This office objects to recommending that Chapter 14A of Title 15, United States Code be changed as follows:

Section 637 (b)(7)(A) is amended:

(a) by striking the period at the end thereof; and

(b) by adding at the end thereof"; however, the matter need not be referred to the Administrator for final disposection if the contract will be awarded to a small business cocern or a group of such concerns."
See Enclosure

This above change is opposed for the following reasons:

1. The legislative history of the Small Business Act shows that the reasons for establishing COC procedures were twofold. Its primary purpose was to expand the nations industrial base by assisting those small firms which needed assistance to become viable and to preclude contracting officers the opportunity of denying specific firms from receiving awards because the contracting of officer for reasons best known to him did not believe a certain firm should not receive the award. The change proposed above would circumvent both of these objectives and denies to small business firms assistance which they can receive only from SBA to perform on an instant contract.

Both the cover sheet of Annex _____ and the proposed letter to the speaker of the House are erroneous in stating "P.L. 95-89 changes the certificate of authority from a measure to assure award of a fair proportion of prime contracts to small business to a near mandate to give small business award each time it submits the low bid". Rather the law requires that if a small firm is the lowest responsive offeror, the small firm can not be denied the award without referring the matter to SBA for COC action. This procedure does not result automatically with an award to the small business firm. In FY 1980 SBA opproved only 346 of the 1,582 cases it had received for COC action.

This office questions the validity of estimate made on page 4 of the proposed letter of the enclosure stating that the DoD-wide experience of all contract actions involved in COC actions, 50% had at least two small business offerors This maybe true for the Defense Logistics Agency whose lists of procurement product requirements are supplied to a much greater extent by the small business community than are the procurement requirements of any of the military departments. Therefore, the DLA experience should not cited as being indicative the situation in DoD overall.

The proposed language of "however, the matter need not be referred to the Administrator for a final disposition if the contract will be awarded to a small business concern or group of such concerns." is insufficiently precise and could result in difficulties for both small business firms and contracting officers.

The language does not clearly state that the award will be made to a small business firm for the "instant" procurement. Further, the language does not make provisions for the situation where the price of the second lowest small business firm is not considered reasonable by the contracting officer and there are no other small business offerors on the instant procurement.

We believe because of the relatively few COC cases compared to the number of awards received by small firms, less than 2% of the awards valued over $10,000, that no action should be taken to revise the COC provisions as established in P.L. 95-89.

Norma B. Leftwich.
Norma B. Leftwich
Director, Small of and Disadvantaged
Business Utilization

Enclosure

I. Citation:

A. Section 8(b)(7) of Public Law 85-536 (Small Business Act)
B. Section 8(b) of Public Law 95-89

II. Problem: The COC procedure imposes administrative costs and delays in contract award. In many cases a small business or group of small business concerns is awarded the contract regardless of the outcome of the COC procedure. Under these circumstances, the COC procedure is unnecessary.

III. Recommendations: Revise Section 637(b)(7)(A) of title 15, U.S.C., to exempt referral to the Administrator of SBA for COC action if the contract will be awarded to a small business concern, as provided at enclosure 1.

IV. Background: The Small Business Act authorizes the Small Business Administration "To certify to Government procurement offices, and offices engaged in the sale and disposal of Federal property, with respect to all elements of responsibility, including, but not limited to, capbility, competency, capacity, credit, integrity, perseverance, and tenacity, of any small business concern or group of such concerns to receive and perform a specific Government contract. A Government procurement officer or an officer engaged in the sale and disposal of Federal property may not, for any reason specified in the preceding sentence, preclude any small business concern or group of such concerns from being awarded such contract without referring the matter for final disposition to the Administration."

The 1977 amendments to the Small Business Act, Public Law 95-89, changes the certificate authority from a measure to assure award of a fair proportion of prime contracts to small business to a near mandate to give small business award each time it submits the low bid. The law directs officers of the Government having procurement powers to accept SBA's certificate as conclusive.

V. Impact: During FY 1980 DoD contracting agencies referred 1,582 cases to SBA for COC action. In one DoD department, the Defense Logistics Agency, 101 contracts were awarded to small businesses based on SBA certification. In 79 of these 101 cases, the next low offeror was also a small business. Thus, even without the COC procedure, about 80 percent of the cases would have been awarded to a small business. The Defense Logistics Agency is probably atypical of the DoD as a whole in the extent to which it contracts with small business entities. It is estimated that DoD-wide, about 50 percent of COC awards would have otherwise resulted in a small business award. If the recommended amendment were in effect in 1980, about 800 contracts could have been awarded in a more timely fashion with less administrative cost. It is estimated the award time would have been reduced an average of 40 days per contract. The Services report that approximately 20-25 percent of COC contracts result in unsatisfactory performance (an additional quantity result in only marginal performance). Adoption of the recommendation should result in a reduction of unsatisfactory performance.

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

There is forwarded herewith proposed legislation, "To amend chapter 14A of title 15, United States Code, to limit the role of the Small Business Administration in certifying small business concerns for government contracts."

This proposal is part of the Department of Defense legislative program for the 97th Congress. The Office of Management and Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this proposal for the consideration of the Congress. The proposal is also being sent to the President of the Senate.

Purpose of the Legislation

The purpose of the proposed legislation is to modify section 637(b) of Title 15, United States Code, by providing an exception to the mandatory referral to the Small Business Administration of a contracting agency's determination that a small business is non-responsible.

The proposed legislation is necessary because the mandatory referral has deprived many responsible small businesses of contracts because they, as second low offeror, in fact, have been most often in line to receive award when contracting agencies have determined that the low offer was from a non-responsible small business.

Procurement statutes require federal agencies to award contracts on a competitive basis. To assure that the Government is not compelled to accept a low bid proposed by one who is unable to perform the contract, the statutes require that award be made to a "responsible" bidder (see e.g., 10 U.S.C. 2305).

In general, Congress intends that the determination of a bidder's responsibility be made by the procuring agency which "is naturally best qualified to make this evaluation" (see e.g. S. Rep. No. 571, 80th Cong., 1st Sess., 2 U.S. Code Cong. & Admin. News, 1048, 1064 (1948)). Courts and the General Accounting Office accord procuring agencies wide latitude in reviewing complaints against responsibility determinations. (See e.g. Keco Industries v. United States, 492 F. 2d 1200, 1205; Ct. Cl. No. 173-69, decided February 20, 1974, Central Metal Products, B-181724, July 26, 1974, 54 Comp. Gen. 66 (1974)).

Notwithstanding the general acceptance of the principle that procuring agencies are naturally best qualified to evaluate a bidder's responsibility, since 1942 various statutes have enabled other agencies:

> "to certify to Government Procurement officers with respect to the competency. . . of any small business concern or groups of concerns to

perform a specific Government contract." (Act of June 11, 1942, Public Law 603, 56 Stat. 352) (emphasis supplied).

Prior to 1977, these statutes were designed to "give small businesses definite assurance of a fair share of prime contracts." (S. Rep. No. 470, 82nd Cong., 1st Sess., 2 U.S. Code Cong. & Admin. News, 1584, 1645, (1951)). Pre-1977 certificate authority was generally limited to the capacity and credit of small business, and was somewhat advisory in nature. Initially established in the Small Defense Plants Corporation, certification authority was transferred to the Small Business Administration upon its creation in 1953.

The 1977 Amendments to the Small Business Act, Public Law 95-89, Stat. 15 U.S.C. 637(b), changed the certificate authority from a measure to assure award of a fair proportion of prime contracts to small business to a near mandate to give small business award each time it submits the low bid. The scope of certification was expanded to cover all elements of responsibility, including eligibility as a regular dealer or manufacturer under the Walsh-Healey Public Contracts Act. Public Law 95-89 directs officers of the Government having procurement or property disposal powers to accept SBA's certificate as conclusive.

Although Public Law 95-89 resulted in subordinating the needs of agencies to acquire essential goods and services to a desire to increase awards of contracts to small business, it is not likely that Congress intended such subordination when the results would not increase contract awards to small business. For example, during Fiscal Year 1980, the Defense Logistics Agency awarded 101 contracts to small businesses based on SBA's certification. In 79 of the 101 cases (80%), the next low offeror was also a small business which was deprived of award because of the conclusive effect of the low bidder's certification. Moreover, in these cases although this procedure resulted in no additional award to small business, it did result in extending the administrative time needed for processing bids to award by an average of 41 days. DoD-wide it is estimated about 50% of our contracts awarded as a result of COC action fall in this category.

The Department of Defense is strongly committed to the small business program. We do not believe, however, that the small business program is well-served by forcing agencies, including DoD, to contract with non-responsible offerors, particularly when the next low offeror is a small business. It is expected the proposed amendment would result in a reduction of 20-25% of unsatisfactory performance experienced under the COC procedure.

For the foregoing reasons, DoD recommends that the Small Business Act be modified to permit Government officers having procurement of property disposal powers to determine whether a small business is eligible for award of a Government contract, without referring the matter to the Small Business Administration, when the next qualified or eligible offeror is a small business. The language effect ing this amendment is attached hereto.

Cost and Budget Data

Enactment of this proposal would cause no increase in budgetary requirements of the Department of Defense.

Sincerely,

A BILL

To amend Chapter 14A of title 15, United States Code, to limit the role of the Small Business Administration in certifying small business concerns for government contracts.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, that Chapter 14A of title 15 of the United States Code, as amended, is further amended as follows:

Section 637(b)(7)(A) is amended:

(a) by striking the period at the end thereof; and

(b) by adding at the end thereof "; however, the matter need not be referred to the Administrator for a final disposition if the contract will be awarded to a small business concern or group of such concerns."

RECOMMENDATIONS

Tab A. Amend the Small Business Act to delete the requirement for referral to the Small Business Administration for a Certificate of Competency for those small business firms which the contracting officer has determined nonresponsible and has recommended against award, if the award would be made to another small business firm. A legislative change has been drafted and is in coordination. The Director, Office of Small and Disadvantaged Business strongly objects to this recommendation on the grounds that the existing procedure protects the small business firm or provides a type of appeal from the contracting officer's decision of nonresponsibility. Enclosure 2 provides the minority views in detail.

RECOMMENDATION: APPROVE________ DISAPPROVE FCC

Tab B. Amend the Small Business Act to permit prospective contractors to negotiate comprehensive subcontracting plans and goals on a total business base as an alternative to the existing requirement for submission of a subcontracting plan and goal for each contract. Legislative change has been drafted. The Director, Office of Small and Disadvantaged Business strongly objects to this recommendation on the grounds that the proposed procedure would lead to degraded performance and reduce management attention. Enclosure 3 provides the minority views in detail. If Tab is not approved, it is recommended that petroleum contracts be exempted from the requirement for individual subcontract plans because of peculiarities of the petroleum industry.

This is app on the basis that a basic plan be negotiated for each division but that Goal be negotiated for each Contract >$500K

RECOMMENDATION: APPROVE FCC (SEE ABOVE) DISAPPROVE________

EXEMPT PETROLEUM CONTRACTS: APPROVE FCC (SEE ABOVE) DISAPPROVE________

7/23 attached J

ENCLOSURE 1

21 AUG 1981

MEMORANDUM FOR Assistant General Counsel (Logistics), OSD

SUBJECT: Misc. 1967, proposed legislation, "To amend chapter 14A of title 15, United States Code, to limit the role of the Small Business Administration certifying small business concerns for government contracts."

Reference Mr. Monts' recent memorandum requesting comment on subject legislative proposal submitted by DLA. This office concurs with the general intent of this legislation intended to simplify and shorten the acquisition process. However, the magnitude of the problem facing us as a result of current procedures does not justify the negative impact of this proposed legislation on other DoD programs. We do not want, however, our decision not to support this proposal to be interpreted as a lack of desire to work with SBA or to take any reasonable action to achieve economies and efficiencies in our small business programs.

SIGNED,

ROBERT F. TRIMBLE
ACTING DEPUTY UNDER SECRETARY
(ACQUISITION MANAGEMENT)

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